

BANKING

JOURNAL OF THE AMERICAN BANKERS ASSOCIATION

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The Condition of BUSINESS

THE OUTLOOK. Sometimes business is better than it feels and this seems to be one of those times. If the actual prospects in each line of commerce and industry are examined on the basis of orders and buying in sight, there is more reason for optimism than pessimism.

A spirit of discouragement, not altogether warranted but readily understandable, has become chronic and one of the most serious problems of management today is its own morale. It is a case of overlooking the known through fear of the unknown.

Many persons who have the responsibility of operating businesses, large and small, have formed the habit of believing little, expecting nothing and waiting for the day of deliverance from any economics. The trouble is that they cannot afford to wait nor can they continue long at dead center. This habit of anxiety has become so strong as to obscure a most hopeful sign of the time,—namely, that policies intended to help business receive increasing support in Washington and elsewhere.

BIG PROBLEMS. It is going to take a little while to persuade the average balance-the-budget citizen that his elected officials fully realize the seriousness of the national fiscal problem and the necessity for removing the impediments from private enterprise.

CONGRESSIONAL RECORD. In general there has been much disappointment in the failure of Congress to achieve as much constructive legislation as was expected. Looked at in one way, the cloud has a silver lining because this is the first session in at least seven years when favorable legislation was expected. It was customary to fear the worst and be glad when Congress adjourned. To the extent that there was little of such fear during the present session, the change might be regarded as progress.

CROSS INDEX. Last year at this time **BANKING'S** cross index of general activity showed 58 per cent of the bank directors polled reporting a downward trend. Only 11 per cent said that business was improving.

In the poll just completed only 30 per cent report an unfavorable trend, 35 per cent say that their respective enterprises are holding their own and 35 per cent say that the direction is up.

Every variety of business is covered in this poll, as witness the first twenty reports: baby carriages and furniture, wooden box manufacturer, night wear manufacturer, insurance, attorney, dry goods store, metal cutting tools, newspaper, retail lumber and building material, bank, architect, home furnishers, paper manufacturer, wood trim mill work, pharmaceutical manufacturer, general contractor, physician and surgeon, plumbing supplies, paint and oils, clothier.

Here is a tabulation of the poll for the last six months, giving percentages of replies under the three general questions asked:

	Up	Unchanged	Down
December.....	43	32	25
January.....	45	38	17
February.....	39	38	23
March.....	39	46	15
April.....	34	40	26
May.....	35	35	30

COOPERATION. There is less talk today about Government cooperation with business, and more about the responsibilities of business leadership, a circumstance which must be

regarded as a favorable sign. As long as business continued to wait trustfully for some friendly understanding of its problems and occasional pats of approval, it was doomed to repeated disappointment. Almost invariably it turned out that business was expected to do the cooperating, only to end up holding the bag.

There are many things that business needs, including revisions in laws governing labor relations, changes in the social security setup, the removal of some of the restrictions surrounding the sale of securities, and tax relief. The last is probably the most important for without the elimination of all mischief taxes and positive action in the way of concessions to encourage new capital, any other measures that might be taken would lose most of their value.

TAX HISTORY. More than 170 Federal internal revenue acts have become law since the Government began this form of legislation under the Constitution. The first was in 1791 and applied to distilled spirits and carriages. This was very soon extended to cover sugar, snuff, legal instruments, property sold at auction and a few other things. The first year's receipts in 1792 netted the Government about \$209,000. It was in July 1798 that the first direct tax on real property was imposed.

The tax on distilled spirits brought about the Whiskey Rebellion in Pennsylvania in 1794.

Internal taxes passed through various phases until April 6, 1802, when all such imposts and all offices having to do with them were abolished. During the ten-year period the Government collected a little more than \$6,750,000 and that was the end of internal taxes until 1813.

It was the War of 1812 that forced the Government to go back to this source of revenue. The taxes were levied against much the same group of items as before, with the inclusion of bank notes, some manufactured articles and household furniture. In 1815 there was levied a tax on gold, silver and jewelry.

A codification of internal revenue laws will be published in June of this year. This will be based on 145 separate statutes because it excludes any act that has been repealed in entirety. Twenty-five tax acts have been repealed during our national history and 35 sections of laws relating to taxes have been repealed.

INTERNATIONAL DEVELOPMENT. Of much importance, from an economic standpoint, is the steady tendency in all countries to identify their foreign trade policies with their foreign politics. One evidence of this, in our own case, is the merging of the foreign agencies of the Commerce and Agricultural Departments under the supervision of the State Department.

IDLE CAPITAL. A great many groups are studying the problem of idle capital in the United States and trying to find out why dollars prefer a rate of return which is the lowest in history, to taking any risk whatever. A corollary of this same question is why the demand for capital has tended to dwindle and disappear at a time when opportunities for industrial development abound.

The National Economic Committee now joins these other agencies attempting to break the monetary log jam and its findings can be productive of much useful information if politics is kept to a reasonable minimum.

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A father looks upon his young daughter—and hopes fortune will be kind enough to see her through college when the time comes.

A man who lives in the deep canyons of some crowded city wishes that someday he may be master of a few broad acres where there is room and freedom. Another, held to a too-familiar corner all his life, hopes someday to set out upon his travels.

And still another hopes to see the day when, freed of all necessity to earn a living, he can quit his task and take life easy.

The hopes of men are as varied as their faces. Nearly everyone wishes for something, dreams of something—and today, more than ever before, the average man can make his dreams come true.

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haps, has a man had placed in his hands greater means of *having* what he hopes for.

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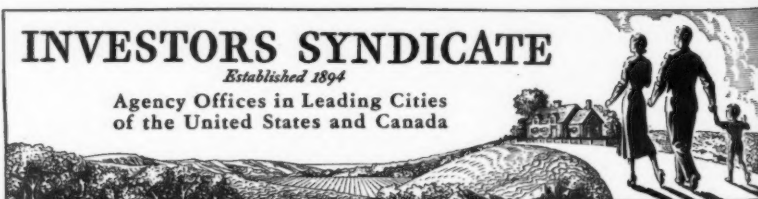
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WASHINGTON

Currency

THERE IS A SIGNIFICANCE about the steadily increasing hoarding of American currency by foreigners which is not likely to be lost on Americans themselves. Since the beginning of the war scare in Europe last September, net shipments of currency to Europe by reporting banks up to May 1 have amounted to around \$90,000,000, while total withdrawals from the banks of Federal Reserve notes of between \$50 and \$1,000 denomination indicate that large sums, perhaps comparable with the shipments, have been withdrawn from banks and placed in safety vaults in this country.

Money shipped abroad for hoarding there indicates a preference of many foreigners for American currency as a hedge against the depreciation of their own currencies. Turning foreign capital into American currency for hoarding here, however, represents not only a desire for safety but also for secrecy, and illustrates the clandestine export of foreign capital which cannot be traced by the authorities of the exporting countries in case war pressure would render the seizure of foreign held American funds and capital advantageous to some foreign government. Special significance lies in the fact that foreigners are thus turning to American currency for safety in spite of the fact that our currency today is the most heterogeneous in the world, is redeemable in gold only at the pleasure of the United States Government, and still lies under the threat of a potential

further reduction in the theoretical gold content of the dollar. With respect to this threat, however, foreigners well understand that any further reduction in the gold content of the dollar depends entirely upon a much greater depreciation in the gold value of their own currencies.

Doubtless, also, back of the whole movement is the imposing gold stock of the United States, now hovering around the \$16,000,000,000 mark. Meanwhile currency nominally in circulation in the United States is running half a billion dollars ahead of the volume in circulation a year ago and continues to range far out of proportion to the actual monetary needs of the country's business.

Selling Government Power

IT IS GENERALLY EXPECTED in public utility circles that the utility companies in the Pacific Northwest will come to some agreement with the Government to distribute the power generated by the Bonneville Dam project along lines following the T.V.A. arrangement. Both legislation and negotiations to that end are already under way.

Earnings

IT IS SIGNIFICANT that the decrease of 2.3 per cent in the net current operating earnings of non-member insured banks last year was the result of a decrease in interest and dividends on securities, occurring, in fact, in the face of an increase of 2.6 per cent in interest and discounts on loans.

(CONTINUED ON PAGE 5)

CHAMBER OF COMMERCE


The new president of the Chamber of Commerce of the United States, who took over his duties last month, is W. Gibson Carey, Jr. (below, left). Mr. Carey is president of the Yale & Towne Manufacturing Company. With him, below, are George H. Davis, 1938 president of the Chamber, center, and S. Clay Williams, a director



INTERNATIONAL

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LONGINES



(CONTINUED FROM PAGE 3)

Significant, also, was an increase of 42.9 per cent in the losses and charge offs on securities in the face of a decrease of 24.3 per cent in similar losses on loans. The fact is that with the cost of prime securities mounting and the quality of other securities fluctuating so violently, any other result could hardly be expected. The encouraging feature of the returns is the increasing income from loans which has again become the greater portion of total gross earnings at approximately 52 per cent of the whole.

Dividends

TOTAL DIVIDENDS AND INTEREST paid by non-member insured banks last year amounted to $2\frac{1}{3}$ per cent on total capital account or approximately 4 per cent on capital stock, notes and debentures. The amount distributed was practically the same as in the previous year although total net earnings were 20.5 per cent lower because of increased losses and write-offs.

Electrification

THE RURAL ELECTRIFICATION ADMINISTRATION in Washington announces that as a result of its insistence the cost of rural electric installations has been reduced from between \$1,200 and \$1,500 a mile to \$500 a mile. One means of economy has been found in the policy of installing lines more suitable to the actual load to be carried than the uncalled for high voltage capacity common in previous installations. Since the REA handles the money for most of the undertakings it is in a position to enforce its requirements.

Railroad Foreclosures

HOLDERS OF DEFAULTED railroad bonds have the right to foreclosure under the terms of the loan contracts, according to the decision of the Interstate Commerce Commission. The matter was in some doubt because of some provisions of the Bankruptcy Act as applied to railways when the Act was amended to facilitate railway reorganization.

Farm Mortgage Repayments

ONE RESULT OF THE GOVERNMENT'S reduction of interest rates on mortgages held by the Federal Land banks and the Land Bank Commissioner is that the farmer-borrowers have been able to increase the rate of repayment of their mortgage debts. Last year the rate of repayment of principal was 4.5 per cent of the amount of loans outstanding

"Greek to us"



● Unreadable signatures may reflect character but they are certainly hard on the eyes and disturbing to the nerves. A wise secretary will type her employer's name under his scrawl out of consideration for those who have to figure it out, but when he signs a check, the bank people are supposed to be able to read it at a glance and accept the responsibility for sorting it correctly.

The surprising thing is that they do it so well. On the other hand, if every check carried the printed name of the customer, the sorting could be done quicker, and better.

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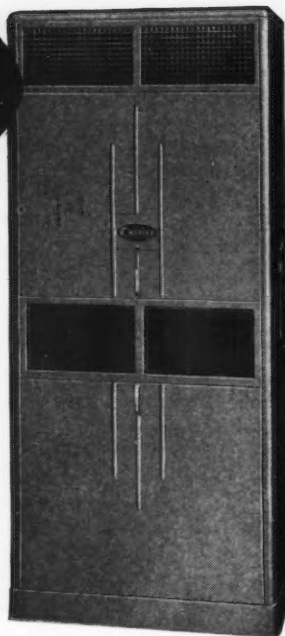
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REMEMBER—you're not buying air conditioning for a single season's use—you're buying it to protect your business and increase your profits over a period of countless years! It must be practical, economical. And above all, it must be dependable!

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at the end of the year. The rate in the previous year was 3.9 per cent. Since the reduction in interest rates is at the direct expense of the taxpayers of the United States it looks as though the latter were in reality making the repayments.

Farm Credit

MORTGAGE LOANS of the Federal Land banks and Land Bank Commissioner outstanding decreased by approximately \$41,000,000, while short term credit by F.C.A. institutions increased by approximately \$25,000,000 during the first quarter of this year. The general trend in the direction of lower mortgage indebtedness and increasing use of the Government's short term loan facilities has continued long enough to indicate a permanent situation.

Investment Trusts

THE SECURITIES AND EXCHANGE COMMISSION'S investigation of investment trusts, which has been in progress for over three years and which was expected to produce recommendations to Congress for control legislation by mid-Summer of two years ago, has brought forth another interim report. It deals with the abuse of management of many trusts for the advantage of the managers. The next report is expected to review the work of well managed trusts. After that may come recommendations for legislation.

Interstate Trade Barriers

ALL DEPARTMENTS OF THE GOVERNMENT in any way connected with trade—even the Department of State—are now actively engaged in combating rising state barriers in interstate trade. A list of such barriers compiled by the Department of Commerce at the request of the Council of State Governments sets forth so many state regulations and restrictions that even those most familiar with the evils of the situation have been shocked.

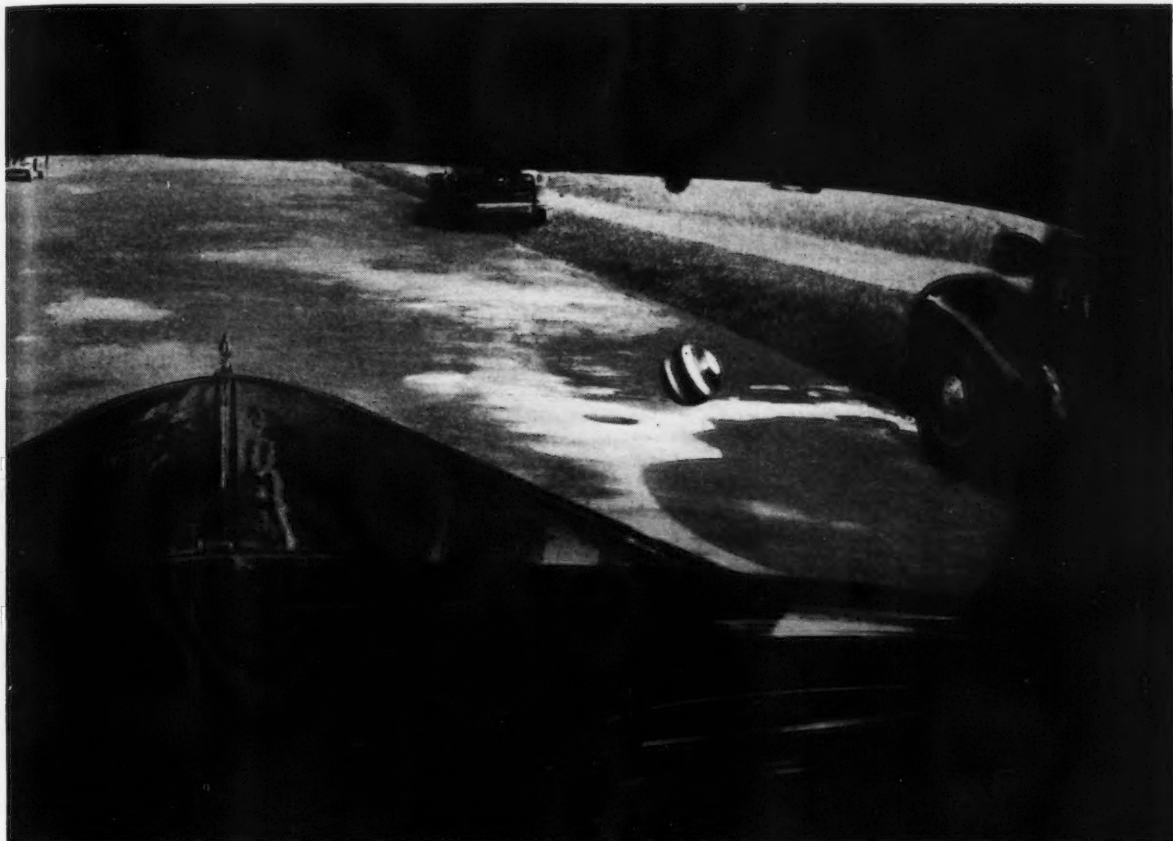
Bond Holdings

HOLDINGS OF GOVERNMENT direct or guaranteed securities by reporting member banks in the Reserve System increased by \$512,000,000 in the first four months of the current year as compared with \$973,000,000 in the whole of 1938 and a decrease in 1937. The Comptroller of the Currency reports that holdings of such securities by all banks in the United States on December 31, 1938, totaled \$18,002,042,000. They are now estimated at close to \$19,000,000,000.

GEORGE E. ANDERSON

BANKING

"Unforeseen events . . . need not change and shape the course of man's affairs"



THE STAGE IS SET FOR TRAGEDY

In a split second, the curtain will rise . . . a game will end abruptly as a youngster dashes into the street, eyes glued on a bouncing ball. It will be too late for the driver of an oncoming car to jam on his brakes, too late to wrench his wheels aside . . . he is going too fast!

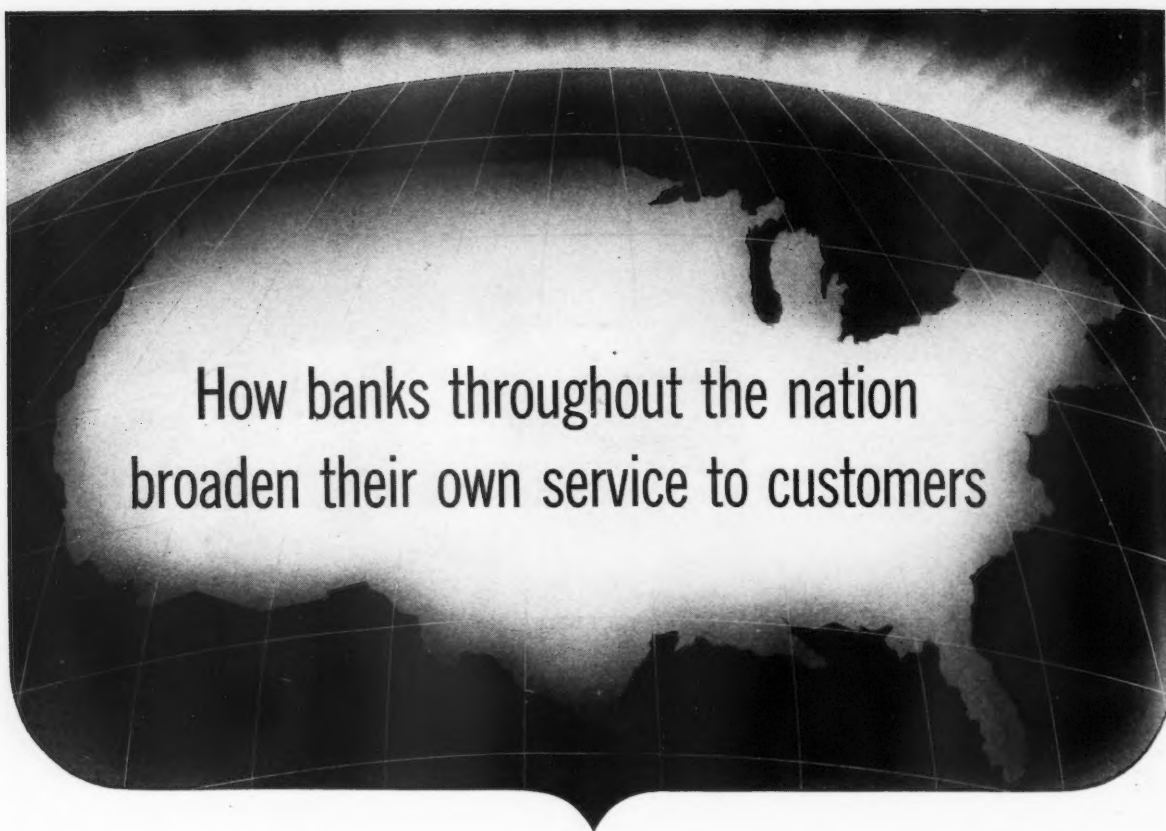
Remember, when *you* are behind the wheel, that at 30 miles an hour, it takes you 100 feet to bring your car to a stop. Remember, too, that most of the responsibility for

accidents involving children must be shouldered by you, for children at play have their mind on the game, their eye on the ball. Keep *your* eyes on the alert.

This year The Maryland will continue the safety educational work it has done for many years, to the end that the annual toll of fatalities from traffic accidents may be lessened. You can help, by driving carefully, especially on city streets. Maryland Casualty Company, Baltimore.

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JUST A MINUTE

Old Hand

ACCORDING to a New York *Times* reporter covering the World's Fair a few days ago, "the dignified man who was blowing glass in the furnace room at the Glass Center yesterday, and doing a rather nice job of it, turned out to be John Rovensky of Greenwich, Conn., guest artist."

Mr. Rovensky is vice-president of the National City Bank of New York.

The *Times* went on to say of Mr. Rovensky that "forty years ago he was pretty good at blowing chimneys for kerosene lamps. . . . He begged for just one blow to see whether he had lost the touch of the thing."

The Winner

THERE ARE two candidates for mayor in Granite Falls, North Carolina, but anyone can see that a banker named Moore will win. The candidates are E. E. Moore and C. G. Moore, brothers and both bankers.

Not Immaterial

A RECENT editorial in the *Saturday Evening Post*, discussing the changes that have occurred since the national financial capital was in Wall Street, remarks that:

"... though it may be immaterial,

economic freedom as we knew it when the financial capital of the United States was in Wall Street is very rapidly eroding for the greater benefit of all concerned, and now the principal business of the private banks that could not be trusted to manipulate money and credit and administer the capital resources of the country in a selfish manner is to exchange their depositors' money for the boundless bonds of a Government that treats solvency as a fetish and has given up trying to balance its own books."

Defaulted Foreign Bonds

TWO COUNTRIES, Germany and Brazil, account for more than half of all the defaulted foreign dollar bonds held in this country—26.4 and 24.3 per cent respectively. Chile, Colombia, Peru and Bolivia account for another 31 per cent. Six countries thus account for 82 per cent of all the defaults. Excluding Canada, in which defaults are negligible, 52 per cent of all foreign dollar bonds are in default.

BANKING in Shreds

A HIGH SCHOOL librarian writes: "In the accounting classes, students have used several numbers of **BANKING** with profit and pleasure, especially the March 1939 number, which carried an article 'It's Tough to be Thrifty'. This number has been worn to shreds and

HORTICULTURIST

John J. Rowe (*below, right*), president of the Fifth Third Union Trust Company, Cincinnati, is the horticulturist who produced the beautiful spray of forced pear blossoms shown on the counter of the bank's travel department. With Mr. Rowe are William Gabel (*left*) and William Butler



A Review of Government Financing

The 1939 Edition of our year book on United States Government securities is now available.



PARTIAL TABLE OF CONTENTS

Chronology. Events of 1938 pertaining to Government finance, banking and the money market.

Treasury receipts and expenditures. Aggregate figures and graphic record of changes in component items—past 6 years.

Comparative statement of the Public Debt in recent years. Amounts outstanding and changes in composition, maturities and interest rates.

Record of Treasury financing—1935 through 1938. Terms of issuance of outstanding obligations offered prior to 1935.

Graphic and tabular presentations of the changes in yields from 1933 through 1938—Treasury notes of 2 and 4 year maturities—8 year Treasury bonds—long-term Treasury bonds.

Governmental Agencies. 15 page section devoted to descriptions and comparative balance sheets of individual agencies, together with other pertinent data.

Combined comparative balance sheet of Governmental agencies—December 31, 1934-1938.

Record of Governmental agency financing in 1937 and 1938.

Principal amounts of Governmental agency obligations outstanding on December 31, 1934-1938.

Treasury investment accounts. Monthly net market transactions in Government securities for the past 4 years. List of accounts for which transactions are made.

Price records of active Treasury and agency securities from dates of issuance.

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we would appreciate a duplicate copy if you have any additional copies in reserve. We hope to make use of BANKING with economic classes in the future as we feel the magazine contains much valuable material for those classes."

Many favorable comments have been received on Mr. Macy's article in the March issue.

Credit Meeting

THE 44th Annual Credit Congress of the National Association of Credit Men will meet in Grand Rapids June 11-15. Included on the program is a group meeting on banking, chairman of which is R. D. Mange, assistant vice-president, Hackley Union National Bank, Muskegon, Michigan. Vice-chairmen are Martin E. Lillie, Old Kent Bank, Grand Rapids; Vincent Yager, assistant vice-president, Harris Trust & Savings Bank, Chicago, and W. E. Blakeley, assistant vice-president, National Bank of Detroit.

Management and Ownership

HOW FAR THE MANAGEMENT of large corporations is separated from ownership is indicated by a study made by Brevoort Stout for the Mining and Metallurgical Society. Director ownership of stock in 59 leading corporations ranges from three hundredths of 1 per cent to 21 per cent. The three hundredths of 1 per cent record is held by the directors of American Telephone and Telegraph and the Westinghouse Company. The highest percentage is held by the directors of the Cuban American Sugar Company.

ICE CARNIVAL

The Chicago Chapter of the American Institute of Banking repeated its ice carnival this year with the same success that attended the event a year ago. Below, the Continental Illinois Bank relay team, which won the gold cup and individual medals in the two mile race



A booklet about
**PROFITS FROM
PERSONAL LOAN
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His "Vacation" from Furnace Tending Creates a Sounder Mortgage Risk!



Crane bathrooms—with their extra comfort, convenience and quality—offer the enjoyable living that people want today . . . plus the sound value that stands years of use.

JOHN JONES—Mr. Average Home Buyer to you—wants automatic heating in the home he buys. He wants to revel in freedom from furnace tending . . . he longs for the 24-hour comfort which automatic heating alone assures. And because this trend towards automatic heat is so widespread, the home that has it is a better mortgage risk . . . easier to dispose of if necessary . . . with a higher resale value.

Today, Crane stands for *quality* in automatic heating—just as the name "Crane" has been the hallmark of value in plumbing products for more than 80 years. You'd expect Crane auto-

matic heating to be better—and it is. More efficient. More economical. Low in maintenance and in operating cost.

Crane heating systems are available for every type of home, at every price level, whether the fuel be coal, oil or gas; and are complete in every detail—including radiators, convectors, controls, valves and fittings—as well as the burner unit. Investigate Crane automatic heating as a means of making homes more desirable . . . and hence a sounder proposition for the mortgage lender. Visit a Crane Display Room for full information—or call in a Crane Heating Contractor.

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the natural advantages
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schedules both by rail
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ped to make full use of
these in connection with
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Capital & Surplus Over \$64,000,000

FOUNDED in 1912, with \$300,000 capital, Commercial Credit Company is today one of the largest institutions of its kind. It operates through more than 4,000 employees in more than 200 offices in the United States and Canada, and is owned by more than 20,000 stockholders.

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Short Term Notes
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Have you heard about BANKING'S
new subscription plan for Directors?

JUST A MINUTE—Continued

Two Bankers' Anniversaries

Two banks have recently held outstanding anniversary celebrations that have offered enjoyable occasions for old friends and business associates to get together

Dallas, Texas

A GLOWING testimonial to one of the nation's distinguished bankers was given in Dallas, Texas, April 19 to 21, when financial and industrial leaders from coast to coast joined with southwestern business leaders in observing the golden anniversary of Nathan Adams' service to the First National Bank in Dallas.

A special train from the East brought scores of noted visitors from throughout the country for the occasion. The festivities began Wednesday night, April 19, when employees and associates of the bank honored their president at a banquet in the main ballroom of the Adolphus Hotel.

The peak of the celebration came the following night, when more than a thousand notable men of the state and nation attended a banquet in the Baker Hotel Crystal Ballroom to pay tribute to the ability and outstanding service of Mr. Adams. Open house was held Friday afternoon, a state holiday, in the flower decked corridors of the bank.

For 50 years to the day, Mr. Adams had been an employee of the First National Bank, the biggest in the Eleventh Federal Reserve District and the 60th largest in the nation. Coming to Dallas from his native Tennessee in December 1887, he went to work as bookkeeper on April 22, 1889, in the National Exchange Bank, predecessor of the present First National.

Boulder, Colorado

ACTIVELY presiding over weekly board meetings, and to be found daily at his desk, Charles G. Buckingham, president of the National State Bank, Boulder, Colorado, observed recently his 65th anniversary as head of the institution. The bank issued an elaborate illustrated booklet in honor of the event. Mr. Buckingham will be 93 next June 28.

With a brother, Walter A., Charles G. Buckingham established the private bank of Buckingham Brothers on April 22, 1874. The institution became the National State Bank three years later. Charles G. Buckingham was unanimously chosen president. All elections since have been unanimous.

Mr. Buckingham was born in Van Wert, Ohio, in 1846. He came to the Union Colony at Greeley, just being started, in 1870, and entered into the banking partnership of Emerson, West and Buckingham. During his long banking career, he has always prided himself on the associates he gathered about him, and declares the success of the National State has been due, primarily, not to himself, but to the board. Tradition of the bank is that all directors shall be intimately familiar with all its affairs. Weekly board meetings have been the rule for many years. The institution has grown to be, in 1939, with resources of \$2,719,859, one of the largest banks in Colorado.

Mr. Adams beside his portrait by Boris Bernard Gordon, unveiled in the bank lobby during the celebration



Charles G. Buckingham, for 65 years president of the National State Bank, Boulder, Colorado



Mailing Economy

A CORRESPONDENT points out that "banks mailing advertising or other third class matter, such as bond offerings and real estate listings, in lots of over 200 pieces may take advantage of the lower rate permissible on such matter. On pieces weighing less than 1½ ounces the rate difference is ½ cent per piece. Details may be obtained by applying to the local postmaster for requirements for mailing under Section 562 Postal Laws and Regulations."

Instalment Buying

INSTALMENT BUYING as measured by outstanding credit of leading instalment credit concerns is again on the increase after a steady drop from a high point reached in July two years ago.

Book Catalog

To the Editor:

I would like to have, if possible, a list of booklets or pamphlets on studies in banking subjects, that you publish from time to time.

JOSEPH A. WOOD
1520 Rosedale Avenue
New York, N. Y.

There is now available from the Association a catalog of 50 A.B.A. publications relating to management, public relations, economics and government, and miscellaneous fields. Also, there was published in the April issue of *BANKING* on page 50 a bibliography of material issued by the Association since April 1937.

Business Recovery

FRANCE HAS HAD the best degree of business recovery of any nation in recent months, and it has been obtained by encouraging capital investment, increasing production by abolishing the 40-hour week, encouraging the profit motive, and stimulating confidence in the government. Industrial production indexes in France rose from 72 last August to 89 in February.

Life Insurance

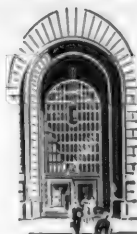
MORE MONEY is being invested by the American people in life insurance and annuities than ever before, according to life underwriters. Total premium income of life companies last year was \$3,810,000,000, or 5.93 per cent of the national income.

Interest in Currency

To the Editor:

I should appreciate your sending me the following articles by Mr. Herbert M. Bratter which appeared in *BANKING*: November 1935, "The Currency of the

HEAD OFFICE, MONTREAL



ASSETS OVER \$900,000,000

TO AMERICAN BANKS

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Complete correspondent service in all parts of Canada through more than 600 individual branches. Credit information and assistance in arranging trade connections available through our Business Development Department.

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AN INTERNATIONAL BANK SERVING 29 DIFFERENT COUNTRIES

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is engaged primarily in facilitating wholesale distribution and retail sales of the following products of General Motors Corporation and its world-wide affiliates: CADILLAC, LA SALLE, BUICK, OLDSMOBILE, PONTIAC, CHEVROLET automobiles; FRIGIDAIRE appliances for refrigeration and air conditioning; DELCO lighting, power and heating equipment; GMC trucks; BEDFORD, VAUX-HALL, OPEL, BLITZ—

foreign made automotive vehicles.

The business consists of investments in self-liquidating credits, widely diversified as to region and enterprise, capital employed being in excess of \$80,000,000.

In obtaining short term accommodation, GMAC issues one standard form of note. This obligation it offers to banks and institutions, in convenient maturities and denominations at current discount rates.



These NOTES are available, in limited amounts, upon request.

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... with 307 California communities through Bank of America

Through 494 branches of Bank of America, your business may be routed direct to the point of collection in any one of 307 cities and towns of California. Day or night your items move swiftly through Bank of America.

The speed and efficiency of this service, which is available through *one* account with this California-wide bank, substantially reduces float and increases the availability of funds. Frequently as much as 50% may be saved in collection time.

Bank of America welcomes inquiries regarding this responsive statewide service and welcomes, too, the opportunity of serving any of your friends and customers who may be coming to the Golden Gate International Exposition this year.

Bank of America

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MAIN OFFICES

San Francisco No. 1 Powell Street
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United States"; August 1937, "Gold's Last Eight Years".

I am the chairman of a large department of economics in a school of more than 8,000 students. If you would find it possible to let me have these articles, they could be placed through my office at the disposal of more than 30 teachers in my department.

MINNA COLVIN
Chairman, Economics Department
New Utrecht High School
Brooklyn, New York

Washington Money

BANKERS browsing around New York City this Summer between excursions to the Fair will find over 600 items of money bearing the likeness of Washington in the Chase National Bank permanent collection of moneys of the world, 46 Cedar Street, New York City, adjoining the head office of the bank.

The earliest Washington item, and one of the most unusual, is a coin privately minted in 1783 which shows



Washington penny of 1783

Washington crowned with laurel and wearing a toga. The smallest likeness of Washington, the size of a baby's thumbnail, appears on a \$10 bill issued in 1860 by the Bank of the State of Georgia at Savannah.

An amusing item is the \$1 silver certificate of 1896 with portraits of George and Martha Washington. Legend has it that the bill was withdrawn on the grounds that no "one" should come between man and wife. Also in the collection is an original check made out by Washington for \$113.02, payable to Luke Tiernan, June 13, 1799.

World's Fair visitors will be interested particularly in the section of the Chase collection devoted to the development of money in this country . . . from the various types of wampum used by Indians and early traders (shells, beads, caribou teeth, furs, skins, woodpecker scalps, human hair, peach pits, arrowheads, feathers, etc.)

(CONTINUED ON PAGE 16)



"Pasteur-ized" Fish *to speed production*



Unusual—yet typical of American Mutual's safety work for firms we insure—was the thorough and individualized job we did, to check a tormenting hand-infection that plagued the employees of a fish-packer every spring. Our research IN THE PLANT showed the infection was caused by a minute crab that clung to mackerel. So our investigators went on a mackerel-fishing expedition and obtained quantities of the crabs. Tests showed the irritation came in no ordinary way from the crabs, and must be due to a germ.

Delving into medical literature, we discovered studies of similar infections back as far as one by Pasteur in 1882; a Baltimore doctor in 1896; Russians, Germans, and Frenchmen in the 1920's.

Finally we combined the medical knowledge of fifty years and four countries, with our own experiments, and solved the fish-packer's problem.

* * *

American Mutual accident prevention service *custom-builds* a safety plan for each policyholder. Organizing ability, an understanding of worker

psychology, even medical knowledge, are applied to the elimination of each firm's specific hazards. Besides accident prevention (frequently lowering insurance rates and preventing uninsurable losses), two *other* profits come to employers through

1. *Saving the skill of injured workers:* American Mutual's industrially-trained doctors work to restore the abilities each man needs for *his* job.
2. *Dividends to policyholders since 1887:* American Mutual and affiliated company dividends have always lowered costs 20% or more on practically all forms of insurance except life. Write Dept. B-3, 142 Berkeley St., Boston, Mass. for a copy of "How 12 Companies Made \$1,461,939.01."



AMERICAN MUTUAL LIABILITY INSURANCE COMPANY
BOSTON, MASSACHUSETTS

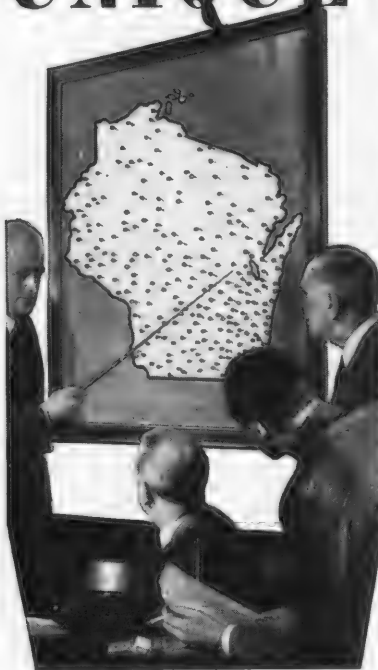
*Fire and related lines of insurance written by
Allied American Mutual Fire Insurance Co.*

BRANCHES IN 57 OF THE COUNTRY'S PRINCIPAL CITIES

get 3 profits with
American Mutual

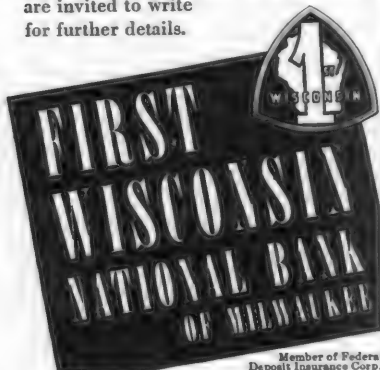
Clients of your bank will see this advertisement in Business Week, Fortune, Nation's Business and Time

UNIQUE-



FIRST WISCONSIN C-R-S PLAN

● Here is a truly modern system of statewide banking service . . . co-ordinated and streamlined to meet the Wisconsin needs of national corporations (as well as banks). Based on the fact that over 85 per cent of all Wisconsin banks are First Wisconsin correspondents, the unique C-R-S Plan assures efficient handling of Wisconsin funds . . . stabilized balances . . . simplified audit control of Wisconsin accounts . . . and prompt, economical collection of Wisconsin items . . . without disturbing established banking connections. Business executives and bank officials are invited to write for further details.



MINE UNDER A BANK

Tellers in the First State Bank of Picher, Oklahoma, were jarred frequently when mining operations set off charges underground. To set the bank building on firmer ground, a new foundation was constructed immediately below the bank

to present-day sales tax tokens. The collection takes the visitor right back to the Joachimsthaler which was the origin of our word "dollar."

One prominent American item in the Chase collection is the Fugio Cent of 1787, the first coin issued by the United States. On one side of the coin appears the slogan "We Are One", bordered by a closed chain of 13 links symbolizing the unity of the 13 original colonies, and on the other the terse advice: "Mind Your Own Business"

Travel Aid Increase

THE TRAVEL BUREAU of the First National Bank of Palm Beach, Florida, reports a 700 per cent increase in business last March and April over the same period a year before. The bank attributes a large part of the rise to the fact that the bureau was moved out of the bank into an adjacent building, where there was an entrance from the street as well as from the bank. Cus-

tomers could, as a result, be accommodated from 8 A.M. to 9 P.M. rather than during banking hours only.

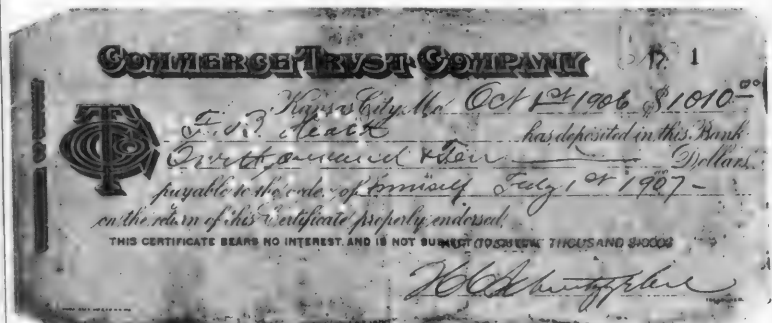
Newcomers to Palm Beach received personal calls and letters offering the bureau's services. Newspaper displays and a quantity of printed matter contributed to this year's business.

No. 1

MANY A BANK, no doubt, still preserves its No. 1 item. Such a document appears at the bottom of this page. (The date on this item, October 1, 1906, was the opening day of the Commerce Trust Company, Kansas City, Missouri, which was organized to supplement the National Bank of Commerce, organized 1865. Several years later the younger institution absorbed the older.)

BANKING would be interested in hearing from institutions that have these bits of history in their files.

No. 1 Item (See above)





"...our expectations have been completely fulfilled"

says MR. CHARLES H. HURLIMAN, Cashier of the First National Bank and Trust Company of Bridgeport, Connecticut



Savings Department

The Cashier of this long-established Connecticut bank writes:

"We wish to state that—in regard to the various types of National Machines used by our organization—our expectations have been completely fulfilled.

"We are using your equipment in three of our departments, namely: Transit Department, Savings Department and Personal Loan Department.

"We feel that the development of the various mechanical devices has enabled our particular field to facilitate the numerous operations to the highest degree of efficiency."

Our local representative will be glad to show you how National equipment can facilitate your banking operations. Phone today for a demonstration.

The National Cash Register Company

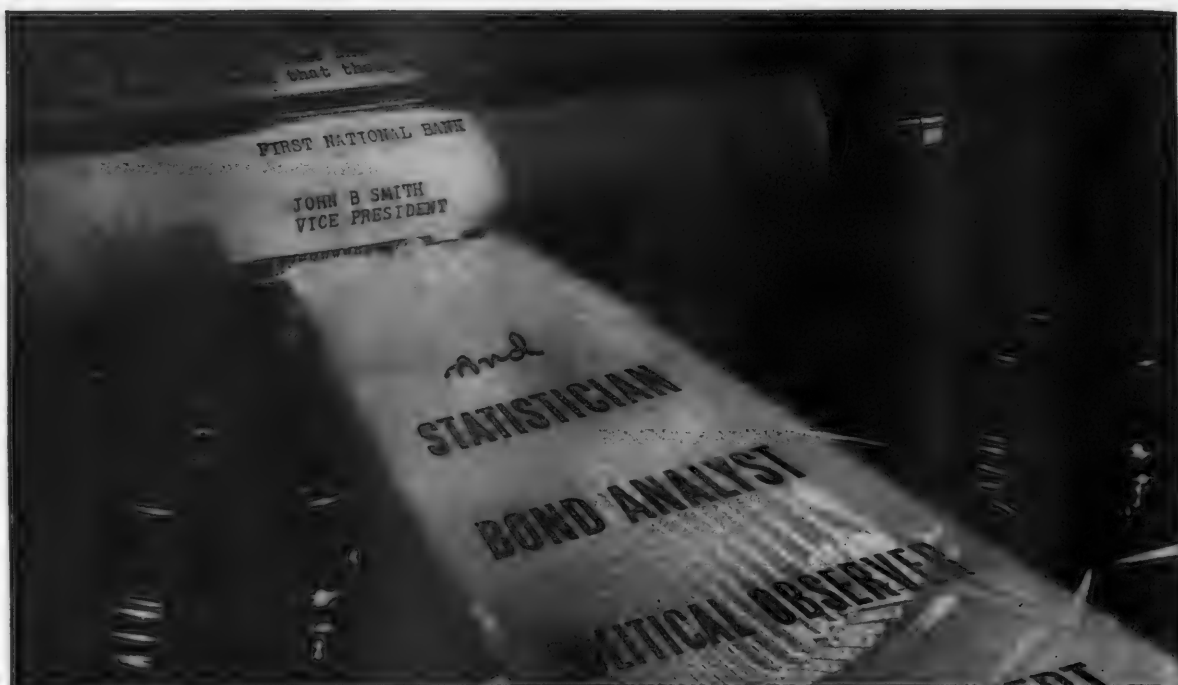
Cash Registers • Posting Machines • Analysis Machines
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 Accounting Machine Desks • Bank-Bookkeeping Machines



Transit Department



Personal Loan Department



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FULL-TIME JOB... FOR MANY MEN!

Constant supervision of a diversified list today demands an encyclopedic knowledge of politics, social reform, international monetary and governmental policies as well as a wide-angled perspective on the future of domestic business and industry. No one man, burdened daily with bank management activities, can hope to shoulder this task as a spare-time job. It's a full-time job for many men.

That's why Moody's maintains so large a staff of investment specialists and analysts. Theirs is an every-minute-of-the-day duty to follow particular investment fields, to maintain constant watchfulness over the securities in your portfolio. The findings of these men are focused upon your investment problem by a personal counsellor who is constantly working to improve the quality and yield of your investments.

Moody's Bank Supervisory Service is not just a temporary measure to tide your bank through a difficult investment period. Rather, it is a constant necessity that has proved its worth continuously to many conservatively-managed institutions. May we explain to you and to your directors how Moody's Bank Supervisory Service can help *your* bank—and at what nominal cost?

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The Small Capitalist Waits

By ALBERT W. ATWOOD

The author writes frequently for BANKING. He was formerly an editorial writer for The Saturday Evening Post.

A SINGLE sentence in a speech often makes a vivid, clear-cut impression upon the listener or reader. It arouses his curiosity, stirs his mental processes and challenges him to further inquiry. Such a sentence was uttered by Dr. Virgil Jordan at the eastern regional conference of the American Bankers Association in New York last March, when he said: "The individual small town capitalist who might risk \$20,000 to \$50,000 in a venture with a reasonable chance of success seems to have disappeared, or his capital has."

Is this statement correct and, if so, why? Frankly, I believe that more can be learned from following such a line of inquiry than in pursuing much larger and broader subjects. For several years now we have been asking ourselves why the capital market has dried up and what can be done about it. Also, whole libraries of speeches and articles have been written on the subject of whether banks lend freely enough to small business concerns, and if not what can be done about that. Both of these discussions lead to endless controversy and heated argument; cannot we learn something by narrowing the subject matter to manageable proportions and to a more definite point?

To this end I addressed an inquiry to and received replies from 15 bankers in different parts of the country, some of them officers in commercial banks, others partners in investment banking firms. A number of the replies came from relatively small cities, others from large ones, including Buffalo, Indianapolis, Milwaukee and St. Louis. The smallest city from which information was received has a population of 23,000, the largest 2,000,000. One bank officer, before replying, consulted with 29 other bank officers, bank directors and substantial individual investors in his city. It is reasonable therefore, to suppose that a consensus of all these replies is a fairly accurate reflection of opinion.

In addressing the inquiry I changed Dr. Jordan's statement in only one respect. Instead of referring to the small town capitalist who might risk from "\$20,000 to \$50,000" in a venture, I made it "\$5,000 to \$50,000", which would seem to cover a much wider group. This minor point aside, there was unanimous agreement with Dr. Jordan's statement in the replies received.

But it should be noted that several of the bankers make the point that this investor still exists; he "has become

inactive", "he has disappeared from the market", "he has disappeared, or if not disappeared, is doing something else with his money." The bank officer who consulted with 29 other individuals before replying says that "it is clear from these replies that the individual capitalist who is willing to take a risk still exists but lacks a sufficient degree of confidence in the future to actuate a flow of capital of this type."

"I think there is no disappearance at all of such individuals," says another reply. "He is here and he is in every city, but why should he stick his neck out when he knows there is not any chance under present business conditions and under the restrictions which are placed upon business by the present administration?"

One of the most thoughtful of the replies says that the "small town" capitalist has become inactive because of a lack of opportunities. A suitable opportunity, says this writer, implies three things, first, a sound situation, second, favorable prospects and, third, the opportunity to invest therein. The investor must be satisfied as to the first condition, the issuer must be willing to create the third condition, and both parties must have a favorable opinion as to the second. It is just as important for the issuer to be sold on the second point as for the investor.

THE INVESTOR IS STILL THERE

"DESPITE the fact that many business men are willing to try anything with other people's money, the fact remains that the majority of businesses, large and small, will not engage additional capital unless prospects are favorable. Sound situations are not now seeking new capital, so investment opportunity is choked at the source. The antipathy is on both sides. Business is not confident enough of prospects to use new capital and the investor is not confident enough to wish to furnish it. A discussion of reasons would become something of a political treatise."

"In other words," says still another bank officer, "the investor class is still here. They are still frugal and saving, but, as I see it, their present attitude is 'The burnt child dreads the fire', and there will be no change in this attitude until the affairs of our Government are in entirely different hands."

This is not a political article; it is an attempt to find out from those who should know, why the "small town capitalist" will no longer put up from \$5,000 to \$50,000 in local ventures, and if hostility to certain present Government

policies is reflected in the replies this writer cannot help it. But the point should be made that most of the replies contain much more than an attitude of blind, general hostility to the New Deal; very specific points are made in most of the letters, some of them having nothing to do with governmental questions.

For example, one informant seems to think that professional men, such as doctors and lawyers, have less money to invest than formerly because of the increased competition in their various professions. He may have been reading about the large number of doctors who have recently come over from Germany, Austria and Czecho-Slovakia.

Another informant says that his firm has been making loans of from \$5,000 to \$2,000,000 for nearly 40 years all over the mid-western country and is still trying to make them. "But the difficulty with us now is that under the Securities and Exchange Commission we are very much handicapped in obtaining these loans in competition with the larger insurance companies because the concern can borrow from the insurance company at less cost than we have to pay when we register the loan."

FROM THE MIDWEST

TWO informants in the Midwest say that large numbers of business and professional men have been buying farms with their surplus funds, realizing that there will be a very nominal income, but having in mind a possible hedge against inflation.

The president of one investment firm says he notes a lack of pioneering spirit and the president of an important small city bank says at the end of a very thoughtful letter that he is greatly impressed by the "almost total disappearance of capable, energetic young men who are willing to embark in a small business for which they will have to borrow the capital. Young men of today seem to belong to a new generation and seem to be interested in other things rather than establishing a business in a small way, on borrowed capital, as their fathers and grandfathers did."

On the other hand the bank president who consulted with 29 others says that several of their replies mentioned individual cases of new financing and indicated that younger men were taking an interest in the establishment of new enterprises.

SAFETY AND LIQUIDITY

THE present writer would want far more information than is here available before reaching any opinion on such a big subject as to whether young men are no longer willing to take risks. The question, however, is not only extremely important but brings us close to the real heart and point of this article.

Practically all the bank officers and investment bankers who replied to my inquiry said that overmuch emphasis has been placed lately upon the necessity of having one's funds liquid or at least invested in securities which can be marketed quickly, such as Government securities, United States Savings bonds and listed securities.

The bank officer who consulted with 29 other individual capitalists says it is quite clear from their replies that they place their own funds in "governments, municipals and bonds and stocks of seasoned enterprises, having in mind safety and liquidity rather than yield."

"Most people seem interested in the purchase of so-called riskless investments," writes the vice-president of a mid-western investment house, "rather than the contrary. I very

frequently hear the expression from my customers, 'I want to keep liquid,' and this seems to be the idea prevailing not only among banks, but corporations and the individual of large or small means. In the last three or four years this state of mind seems to amount almost to an obsession, and the reasons stated are uncertainty of the future, Government interference, over-regulation and taxes.

"I find that a great many people, not only of small but fairly large means, are buying United States Savings bonds. Also quite a good many individuals, as well as corporations, are buying stock in local building and loan associations, which generally pay about 3 per cent, and if the amount is fairly sizeable, they are distributing it among various institutions of this character because of the Government guarantee."

A bank president in a city which is small but has many diversified interests writes that he has been in business "in this community for 35 years, and that years ago before taxes were so heavy and business was not unduly regulated and regimented, it was the natural thing for people who had made money rather rapidly to put \$5,000 to \$50,000 in a new business or to start one of their own." Today, he adds, "it would be as hard to raise \$50,000 for such a purpose as it used to be to raise \$100,000, or perhaps, even in a few cases, a million dollars."

THE ENDORSEMENT DIFFICULTY

TWO bankers in replying to my inquiry also call attention to the difficulty of getting endorsements as compared with earlier years. One bank officer in a large industrial city says that it is difficult to get officers and large stockholders to endorse the paper of their own concerns, that they just haven't enough faith in their own businesses, and, in his opinion, many of these small corporations which are continually borrowing ought to be partnerships.

Another bank officer in a smaller city says that in earlier years any business man up or down the main street who wanted to borrow a few thousand dollars at the bank could get an endorsement from any one of a dozen prosperous business or professional men, but that now no one wants to endorse anyone else's note.

Of course we must remember that the "risk capital" type of investor is still, to a certain extent, suffering from shell shock. There were so many local failures and serious losses among the local type of enterprise in the first four years of the depression that the local capitalist would not continue to put his new savings into such ventures.

But it is a blind partisan indeed of the New Deal who would deny that the main reason why individuals have so little "risk capital" to venture at this time is not so much the memory of past losses as the fear of conditions, present and future. "By conditions," one bank officer frankly writes, "I mean the general attitude of the Government toward business, and its spending policies, unbalanced budget, etc."

Another banker speaks of the uncertainties in connection with the Government's monetary policies and one or two refer to labor troubles. But the one point on which all agree is that taxation is perhaps the greatest single handicap. Says one of these correspondents:

"I think the greatest reason why this individual has disappeared is the fact that the New Deal philosophy has removed the opportunity to make really large profits. People are willing to take large risks if they can make large profits. Certainly in an investment of the kind you describe large risks

(CONTINUED ON PAGE 69)

Say It with Pictures

By C. M. HARGER

MR. HARGER is a director of the Abilene National Bank, Abilene, Kansas. In March *BANKING* he wrote "Cupid as a Personnel Problem".

IN former times banks wooed customers with gifts. Calendars—paper ones for the smaller patrons and more elaborate for the larger—were the leaders. Today one may see some of the latter, with enamel soiled and the wood warped, nailed up in garages and in grocery stores. Then there were jackknives, brightly colored pictures, aluminum trays and bread knives with serrated edges. Cameras costing a dollar had a vogue. If one bank gave a picture of "Washington Crossing the Delaware" the rival across the street countered with a patent potato peeler. At Christmas the banking room resembled a novelty store. Of course, this was all intended to make good will—but it all stopped when service charges were installed. The customers perhaps had more respect for banks when they adopted business principles.

But bankers still feel that they should in some way strive to make the community bank-conscious, and they have evolved many new plans to accomplish it. They have financed purchases of pure bred stock; have conducted displays of fruit and grain, with prizes; have offered prizes to school children for essays and debates on economics; have aided in 4-H activities—all tied up with the bank as sponsor.

These devices have merit—anything that makes for better appreciation of the bank's service to the community is worthwhile. It remained for a country bank out in the Midwest to evolve a new approach to the customer—movies.

The originator of the idea says: "Nothing is more interesting to the average person than to see himself on the screen. If it is in a favorable light he swells with pride—and anyhow he is appreciative of the prominence. It seemed reasonable that this was an effective method of bringing the bank to the foreground. At any rate it was something new and the results thus far have been most pleasing—particularly to farmers who constitute the larger part of our patrons."

FARM TO FARM BY CANDID CAMERA

WITH an up-to-date movie camera the banker toured his trade territory. He selected one school district and went from farm to farm. "We felt," he explained, "that it would not be wise to be selective—while some were not our customers we hoped to secure their patronage."

Calling at the farms he explained his purpose, lined up the family and let the camera record the scene. Of course, mother wanted to wait until she could put on her best dress, and Mary wanted to tone up her hair-do. But it was insisted that the pictures be candid, in every-day dress. Then to the farm yard with views of the cattle and farm machinery, so that there was a running picture story of the entire establishment.

He went into the fields—this was in harvest season—and took pictures of combines at work, of tractors, and later of tractor-drawn plows—scarcely a horse was seen in the entire community. Not all were pretty pictures. A picture of a farm yard might show expensive harvest machinery left out in the weather the year through, tractors rusting in the rain, rakes and plows evidencing a lack of system and economy.

"Do you know," said the banker, "it is remarkable how many farmers have put all their profits into new fangled machinery with which the market is over-full. From local pride, eagerness to keep up with neighbors, hope of easier days and weakness before high pressure salesmen, they purchase on the instalment plan implements they do not especially need and which they cannot afford. Then they let their machinery deteriorate through lack of care—and buy more."

Just now new inventions for contour plowing, rubber tired tractors and all sorts of implements for tillage to prevent erosion are on the market—and the old-fashioned plow and harrow are discarded. When a farmer has a public sale the machinery is sold for a song, or little more. I took pictures of expensive reaping machines that stood in the field where they were used the year before, of others on which chickens had roosted and some that winds had partly buried in trash and dirt."

OTHER COMMUNITY SHOTS

SPICING the list with some scenes in the town (not forgetting to have a picture of the bank)—groups of school children and the teacher, the country church, a group of members of the community's Just-a-Mere Club—this banker was prepared to present a program interesting to the entire population of that district.

The school house was engaged for the showing and the attendance was surprising—the farm folks came miles to see themselves on the screen. They cheered and applauded, and perhaps learned something of conditions on their farms as others see them.

When this district was covered the banker moved on to another and the same procedure was followed. "We have covered three school districts thus far," said the banker. "It will take some time to cover our territory but eventually we shall complete the job. I have the help of one of our clerks who is an expert amateur photographer. Do not think we devote all our attention to the country—many pictures are being taken at odd times of homes and business houses, parades and similar affairs in town, and some day we shall get them together for a showing in the city high school. I have been invited to show the pictures of a district at the state banker's association meeting—so it may be there is something in it."

Building up public opinion to a realization that the bank is interested in the community is necessary to results. Maybe the idea of home-made movies is one valuable approach to the problem. At least it offers opportunity to become acquainted in a pleasing way with all of the rural community.

"The Market Is Right"—Sometimes

By GILBERT HAROLD

DR. HAROLD, *Associate Professor of Economics in the College of Business Administration, University of Oklahoma, is the author of the recent book, Bond Ratings as an Investment Guide, and many articles in financial and banking periodicals. This is his third contribution to BANKING.*

THE assertion, "There are no bargains in the bond market", expresses an investment attitude which has become increasingly popular among bankers and other bond buyers. This "market-is-right" approach to investment analysis assumes that there is little or no discrepancy between market value and intrinsic value, or between yield and risk. The bond buyer, according to this dogma, gets what he pays for, no more, no less. If a bond is selling currently on a 3.50 per cent basis, 3.50 per cent represents its true investment worth, for the market has so appraised it. And market price represents the combined opinion of all forces in the market. Consequently, a bond yielding 3.50 per cent at current prices is a better bond than one yielding 3.75 per cent and not as good as one yielding 3.25 per cent. (For the purposes of this discussion it will be assumed that all factors other than yield are equal. It is assumed, in other words, that there are no special or disqualifying conditions as to maturity, callability, conversion privileges, etc.) Moreover, the lowest yielding bond is the one least likely to decline badly in market value. That, at least, is the conclusion of those who subscribe to this theory.

While there may be some basis for this proposition as a general principle, it certainly is not without some very weak assumptions. One is that "the market" is intelligent. Another is that it is far-seeing. If the latter were true, however, wide and sudden swings would be eliminated, for if a bond is worth only 60 today it was not worth 90 last year nor even two, three or five years ago. And if it was selling at 90 a year or a few years ago, the buying side of the market certainly was not far-seeing.

THE DOW THEORY

POSSIBLY some of the grip which this "no bargains" theory has obtained is due in part to the increasingly wide acceptance of the so-called Dow Theory, a doctrine applied to the stock market and to business. One of the tenets of the Dow Theory is that, with qualifications, the intermediate swings of the stock market are prognosticators of the stock market trend. Another is that the intermediate swings of the stock market give a remarkably good indication of the future of business in general. A fundamental principle of the Dow Theory, however, is that *the market's verdict must be accepted without regard to other factors*. No matter what the news from the financial centers says, no matter what Hitler is doing, no matter whether the indices of industrial production are moving up or down, the market averages are the last word, for they are the summation of all factors, all forces, and represent the considered opinion of all investors.

Conceding that there may be considerable basis for this

principle as a *general market theory*, it does not follow that it should be the sole guide of the individual banker in his selection of specific bond investments. Yield is not determined by any exacting mathematical calculation as to risk or anticipated risk. Yield reflects not only apparent risk but other factors as well. It reflects the degree of seasoning of the issue, the present or expected marketability, and the popularity of the issue. There is and can be no reasonable actuarial basis for the computation of investment risks. The market, in other words, is not an accurate set of scales weighing all forces involved. It is at best nothing more than a recording device which registers not intrinsic or "true" values but merely investors' preferences; and the quality of such preferences can be only as good as the bases upon which they are formed. Such bases do not depend *entirely* on reason.

There are almost endless data in the annals of the market to disprove the validity of the "market is right" theory as a proper and adequate basis for investment policy. Any statistical study along these lines will prove it.

THE OPPOSITE VIEW

NOW, to go to the extreme opposite of this "market is right" theory, it is contended by some that the investor should attempt to obtain the greatest in yield for his money, all other factors remaining equal. This qualification is a rather academic and, to some, meaningless expression, but it has important connotations, and it is practical to apply it, provided we do not attempt to do so too accurately. This is to say, then, that for equal safety and equal other qualifications, the investor should attempt to obtain the greatest yield reasonably obtainable. Indeed, some would go so far as to say that the intelligent, well equipped, and well posted investor should attempt to obtain the most in yield with *greater* safety. According to the "market is right" theory, this is virtually impossible. However, it has been done, and it is being done. Investment analysis should make it possible.

If investment analysis is worth anything at all, a bond that upon analysis is shown to be superior should fare better than one that upon analysis is shown to be inferior. Suppose, however, the market has evaluated the "inferior" bond higher (on a lower yield basis) than the "superior" bond. According to the "market is right" theory, the "inferior" bond should be preferred. To this I cannot subscribe.

This "market is right" theory is based upon a policy of stoicism, of resignation. It is a submissive, abdicant theory. To accept it would be to say the market is almost always right, when, as a matter of fact, the market is too often wrong.

The banker should not allow himself to be guided in his bond selections solely or almost solely by the yield. Rather should he seek to perfect his processes of investment analysis. *Intelligent* analysis pays in two ways: it helps to protect the depositors' funds, and it helps to pay dividends. The protection of depositors' funds and the payment of dividends are, after all, the chief objectives of banks' investments.

Insurance on Business Earnings

By J. V. HERD

MR. HERD is Vice-president of the Fire Association of Philadelphia, Pennsylvania.

TO even the casual observer, the trend of modern business toward greater interdependency of all industry is quite apparent. The business fabric is becoming more and more complicated, yet through research and the grouping of related industries, our industrial structure is actually working towards simplification through closer cooperation. This is especially exemplified in the relationship which has been brought about between the business of banking and the business of insurance. While these two important endeavors have gone hand in hand since a thousand years before the Christian era, new phases which materially affect both have entered the scope of their activities from time to time.

One of the recent introductions into this relationship has been business earnings insurance, which is a comparatively new form of coverage. It was devised by insurance underwriters to fill a need which has existed for years. The increasing recognition of this need by bankers has helped materially to crystallize favorably the opinion of the insuring public.

The first general application of the insurance principle—the distribution of loss over many in order that the loss may not oppress the few—was in connection with marine insurance. The merchant and trader of ancient Rome and Athens who needed funds to finance his operations would seek a loan of his bankers on security of his ship or of the cargo. After some bitter experiences, the banker realized that some means of protecting his collateral against the hazards of fire and the perils of the sea was desirable. Insurance, as we know it, was not available. The banker assumed the risk under a form of bond or policy which served to liquidate his loan in the event disaster overtook the ship or goods which had been pledged as collateral. The equivalent of an insurance premium was charged the borrower in the form of bank interest.

EARLY INSURANCE

FOLLOWING this period, there developed separate insurance companies or groups of underwriters. These bodies inaugurated systems of rating, policy contracts, weather and storm bureaus, and other factors having a bearing on the intelligent analysis of risks assumed and a proper premium charge therefor. The marine insurance policy, or evidence of it in the form of a certificate, always accompanied the bill of lading, and these documents when presented jointly soon became internationally recognized negotiable instruments and are still so considered.

During recent years, the nature of collateral available to banks has changed with the advent of mass production, light inventories and large turnover. The majority of modern business enterprises that seek banking assistance have credit needs exceeding their acceptable tangible assets. Intangible items now appear in balance sheets as presented to bankers

by prospective borrowers. The banker realizes that new measures of credit are necessary. The two items receiving the recognition of bankers as additional measures of credit are brains and business earnings. These are now capitalized.

In some activities, it is found that the very life of the business depends upon the initiative and energy of one or perhaps a few men. So bankers capitalize brains and extend credit accordingly. Loans are protected through the medium of insurance on the life of the individuals with the bank named as beneficiary.

FILLING A GAP

AN unprotected gap which has been partially but not wholly recognized by bankers and others who finance modern business enterprise still exists. For instance, it is found that the earnings of a business running smoothly, apparently without cloud on the horizon, are subject to partial or total interruption by fire or other casualty. Probably the earnings are paying all fixed charges and expenses of the business and, in addition, providing an attractive net profit. Following an interruption, production and sales are either diminished or stopped entirely. Earnings are affected accordingly. The insurance on the physical property takes care of the necessary repairs and replacements, but does not provide for the loss resulting from the fixed charges and expenses which must be met whether the business is operating or not; nor does it provide for the net profits which would have been earned had no interruption of business occurred. Credit statistics indicate that many prosperous enterprises closed by such unforeseen happenings as fire are often unable to resume operations because of the drain on reserve credit resulting from the payment of indispensable fixed charges and expenses of business which continue after an interruption.

To protect business properly against loss of earnings by reason of interruption by fire or other insurable hazard, business earnings insurance, or, as it is more commonly known, use and occupancy insurance, was devised. It is a form of insurance contract written by fire insurance companies and operates during a period of business interruption following a fire or other insurable hazards, as follows:

1. It pays the net profits which the business would have earned had it not been interrupted.
2. It pays the standing charges and expenses of the business which continue during the period of interruption, but only to the extent that they would have been met by the business operations had no interruption occurred.
3. It also pays any extraordinary expense necessary to keep a business operating, if possible, after an interruption; when by so doing the amount of insurance loss can be reduced.

These payments are provided to apply from the date of interruption until such time as the damaged business premises can, with due diligence and dispatch, be repaired, rebuilt or placed in full operating condition. The value of this type of insurance protection to a business enterprise and particularly to its financial backers cannot be overemphasized.

The 4-H Crop

MR. FITZGERALD is *University Editor, University of Idaho, Moscow.*

FEW of us realize the extent to which the destiny of our agriculture is passing into the energetic hands of young men and women who are competent, capable, and, above all, enthusiastic lovers of farming because of their 4-H club years. Each Fall, as another club year comes to a close, another welcome crop of 4-H trained youth has received an impetus to carry on in some field of agriculture. Mostly they go on to college for the advanced training necessary in modern farming.

Where most people err when sampling the significance of 4-H clubs is to stop when they have seen what the youngsters of today are doing. Only by seeing what some of yesterday's clubbers have done since they reached the end of the 4-H trail can one really appreciate the significance of what one sees today. That provides the continuity, the assurance that our agricultural destiny is passing into willing and competent hands, heads and hearts.

Business men, locally and nationally, see this vital relationship between club work and our agricultural future, for they are great friends of the 4-H program. The awards they provide to stimulate 4-H enthusiasm amount to a tremendous sum annually. Club work is one of the main banker-farmer projects sponsored by the Agricultural Commission of the American Bankers Association.

THE MOVEMENT STARTED IN 1914

WE have had 4-H clubs with us for 25 years. During this quarter of a century about 7,000,000 boys and girls have felt the stimulating influence of one or more club projects and the leadership of some sympathetic adult. This 4-H soil has been producing leadership in abundance. One of the brightest spots is that more young people are seeing, through their 4-H experiences, the real possibilities in agriculture. Records from 4-H groups and from agricultural colleges show that in increasing numbers farm youth is staying on the farm. Today we find former club members by the thousands making reputations in the field of practical agriculture, developing successful and profitable enterprises and demonstrating that agriculture offers unlimited opportunities for the alert, capable, and progressive individual.

Let's go on a hurried tour of Agricultural America and see what some of the former club members are doing. Down in Georgia, for example, we find a highly successful dairy farm near Montezuma, operated by Mr. and Mrs. James E. Maxey. Their happy home, like their dairy herd of over 30 cows, is a monument to 4-H. Both were interested in dairy clubs back in 1918. A 4-H acquaintance blossomed into a romance—you can find lots of happy farm homes like this in which 4-H played the role of Cupid. In 1924 they started out with their two 4-H dairy heifers to build a herd. From that humble start they have developed a splendid dairy establishment. The club work taught them the value of business-like conduct of farming affairs. Incidentally, Mrs. Maxey is the bookkeeper.

During their five years in 4-H, which ended in 1930, two boys who live just a few miles outside Idaho's capital city, Boise, won many honors, one a state championship. More important than honors, however, was the enthusiasm which Orville and William Frost developed for the dairy business. Today the Frost farm shows a successful father-son partnership operating a herd of 52 Jerseys, two-thirds of which descended from the calves the boys had as their club projects. Father-son partnerships growing out of 4-H projects are as plentiful as 4-H romances, and equally significant to the future of agriculture.

$$4-H \times 43 = 2,000$$

AS an enterprising 4-H clubber, Wilson Salisbury of Clayville, Rhode Island, won practically every honor in the book. Today he has a poultry enterprise widely known throughout the state. Although still essentially a youngster, being only 26 years old, he recently was elected president of the Northern Rhode Island Farm Bureau. Another Rhode Island lad, Michael Pucino, has increased his 4-H poultry project from 43 hens to a flock of nearly 2,000. Then there's a Nebraska boy, Harry Knabe, who has become an established Hampshire hog breeder in Cass county. Harry didn't give a hoot for hogs until his pig won a county championship in 1918. That victory fired him with enthusiasm.

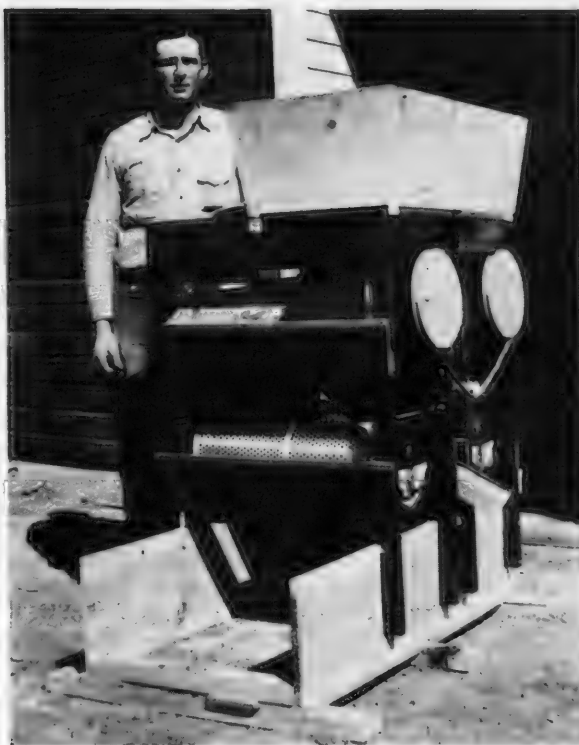
In many regions agriculture has been redirected through what club members have done. A Colorado boy, Raymond Condon of Platteville, became so absorbed in his 4-H corn project that he developed a new variety which impressed his state agricultural experiment station so greatly it was accepted as a new one and named in his honor. Now it is widely grown throughout the state. Emory Williams of Alachua, Florida, has gained the reputation of being one of the outstanding farmers in his section because he helped get a traditionally tobacco country to do a lot more thinking about livestock.

A NEW CROP INTRODUCED

A SOUTH Carolina 4-H lad also is given credit for having done a good job of establishing purebred hog production in a section previously dominated by tobacco and cotton. This boy, Percy Anderson of Florence county, started in 1925 with a grade pig, became so interested he got a purebred in 1926 and seriously started to study hog raising. Not many years later and he had a swine herd which aroused so much interest that other farmers wanted to buy stock from him. He kept a map showing the places to which his pigs went. It carried so many widely scattered dots the U. S. Department of Agriculture 4-H specialists reproduced thousands of copies to illustrate how influential club projects can be.

A story with a similar ring comes from South Dakota. An outstanding club livestock judge, representing the state at the national club camp in 1929, Chester Gullikson of Bath, has developed his swine project into a herd from which breeding stock has gone widely throughout the state. His activities have been particularly helpful in distributing livestock in what is primarily a wheat district.

By O. A. FITZGERALD



Above, Raymond Condon, Colorado 4-H member who gave the state a new corn variety.

Left, top, Mr. and Mrs. Denton Fly receiving from John Sorrells (right), president, *Memphis Commercial-Appeal*, a trophy won in the "Plant to Prosper" contest. Mr. Fly, former 4-H member, had taken over a run-down farm and rejuvenated it.

Left, Edwin Ridder, Clakamas County, Oregon, who was the state's leading 4-H boy in 1924. He is now a successful swine breeder.

Below, the dairy herd of the Fox brothers in Clinton County, Pennsylvania, which has a 4-H foundation.



An outstanding 4-H club career came to a close in 1929 for Elliott Brown of Rose Hill, Iowa. That year his beef calf was the grand champion at Chicago and sold for \$8.25 a pound. Elliott did not stop. He went right on and built a purebred Angus herd which has appeared at nearly every large stock show in the West. Besides reaping ribbons—they say he has won more than any exhibitor in that section except the millionaires—Brown has done well improving the quality of the breed. Club work started William Strickler of Euclid, Minnesota, on the road to distinction as one of the top breeders of purebred Angus in the Red River valley.

JERSEY HERDS START SMALL

FORMER 4-H club boy Douglas Curran of Black River Falls, Wisconsin, manages the family farm and owns two of his own besides, is a breeder of Jersey cattle of note, and is generally credited with being responsible for making his county fair one of the best exhibitions of the state.

Clarence Kendall of Owen county, Kentucky, started with a purebred dairy heifer and a few sheep and today has what club leaders in that state describe as a "very outstanding herd of Jerseys and an outstanding flock of sheep." Randall Ross of Cambridge, Ohio, came up through 4-H ranks to conspicuous success in dairying. Club projects grew into the fine dairy herds seen at the Loudon Kyle and Box brothers farms in Clinton county, Pennsylvania. One of Missouri's prominent dairymen, E. C. Adams, Jr., of Blue Springs, won a \$500 International Harvester Company scholarship many years ago competing with dairy youths from 13 states. An Adams father-son partnership developed into a large dairy enterprise.

After a brilliant 4-H record, Gaylord Munson of Junction City, Kansas, went to college, then back to the farm. He and a younger brother operate a 1,400-acre farm, carrying on a broad crop and livestock scheme in a highly approved manner. He has been president of the county farm bureau and half a dozen other farm organizations. In 1936 he went to the state legislature, the "youngster" of the house.

STORY OF A "BUMMER" LAMB

SEVENTEEN years ago a 4-H lad in Idaho, Cy Young of St. Anthony, started his project with a bummer lamb—a weakling left on the trail by one of the range outfits as it passed through. Not much to start with, to be sure, but enough to interest the lad in sheep and start him on the road toward success. Today he has one of the leading flocks of the breed in the state. Entering club work in 1927 the Andrus brothers of Kamas, Utah, Millard and Roscoe, have developed an outstanding flock of Hampshire sheep. About 15 years ago Alvin Helms of Belleville, Illinois, came to the end of the 4-H trail but he kept right on with sheep. Today he is respected at all of the sheep shows in this country and Canada.

Yellowed records of early 4-H years in North Carolina carry the name of W. Kerr Scott, that state's commissioner of agriculture. Later a club agent and county agent, he has the distinction of having organized the largest 4-H Jersey calf club in the world, in Alamance county, with a membership of over 150. One of state's prominent Jersey breeders, he gives 4-H the credit for his start. Another 4-H alumnus of note is President Ray B. Wiser of the California Farm Bureau. He has been identified with agriculture all his life, is an officer in many other California agricultural organizations, and for eight years was vice-president of the state's Farm Bureau. Many former clubbers are performing meri-

torious service as county agents, teachers, home demonstration agents and farm organization leaders. In Wisconsin, 20 per cent of the county agents are 4-H alumni.

Like Tennyson's brook, this sort of recitation of former 4-H club members could run on forever. Little acorns always have had a tendency to grow into rugged oaks when planted in fertile soil. We could, for instance, tell the absorbing story of Fred Peaslee, the first 4-H boy to grow certified seed potatoes in New Hampshire, who now has one of the largest seed potato farms in northern New Hampshire or Vermont. Or, the story of Charles Goodwin of Guilford, New York, who developed such a fine Brown Swiss herd from his 4-H project that the national breed association honored him with an important office. Or, the Kaufman brothers of Conway County, Arkansas, who took over the family 320-acre farm in 1930 and have built their land holdings to over a thousand acres, giving the finest sort of a demonstration of proper land use. Or, about Edwin Ridder, Clackamas, Oregon, club boy, the state's leading 4-H boy in 1924, who has been shipping breeding hogs throughout the West and to Hawaii.

WHAT THE ALUMNI THINK

DO these 4-H alumni, as they look back through the years to their club days, give 4-H activity any credit for their success? Indeed they do. Here is what a Minnesota couple, Mr. and Mrs. Frank Scherfenberg of Hendrum, both former club members, have to say: "We certainly feel that we both owe a lot to club work. When our children get older they are going to be members, too." In club days, about 15 years ago, both Mr. and Mrs. Scherfenberg were interested in dairy projects. Both won championships and trips to the National Dairy Show.

Not to be overlooked are the instances in which 4-H enthusiasm on the part of some youth has inspired parents and rekindled their interest in agriculture. This comes from S. B. Anderson of the Anderson & Son swine enterprise in South Carolina: "I knew little about purebred hogs and was not especially interested in them until my boy enrolled in a 4-H project. I had never watched a hog show with any interest but since my boy first showed at the fair I have attended every year and have taken a great interest." A father-son partnership was inevitable on that farm.

What about tomorrow? Let an Oklahoma 4-H lad, Leslie Campbell of Elmwood, provide the answer: "Through my ten years of club work I have not only received a desire to live on the farm and become a farmer but have become familiar with the best methods of livestock production and distribution. Through improved methods in farm management I have a nice set-up to go ahead with farming. I possess a bright outlook for 4-H club members."

Thus we see that when we encourage 4-H we are engaging in an activity far beyond a mere youth movement—something to keep idle hands out of mischief. We are laying the foundation for a brighter tomorrow in American agriculture. Anyone who has had any doubts whatever as to the value of 4-H ought to look around and see the fruits of the first quarter century.

4-H enthusiasm and success in this country has led other countries to adopt the movement. The Department of Agriculture reports there are now about 300,000 club members in other countries. 4-H clubs are getting a good start in Hawaii, Puerto Rico and Alaska. There is a deep feeling of satisfaction among all the friends of 4-H that America has shown to the world such a splendid example of democratic opportunity.

Directors at Work

By A. PATTERSON FIRTH

The author, formerly a British banker and bank inspector, is a Philadelphia financial advertising man.

IN recent years bank directors have been made to realize the legal requirements and limitations attached to their positions as such, but seldom are they offered suggestions as to what voluntary actions on their part will aid in the development of their institutions.

The primary functions of a bank director are, of course, synonymous with those of one acting in a similar capacity in industry or commerce—that is, to contribute his knowledge, judgment, ability and experience in promoting the sound, efficient and successful operation of the institution.

In pre-depression years the average banker was content with what business came his way and in most cases the conduct of his institution became so automatic that the duties of the directors were confined almost solely to the consideration of loans and investments at the regular board meeting. More often than not, this was done perfunctorily upon the recommendations of the president, chief executive officer or finance committee, and the directors could then forget the bank until the next meeting.

The year 1933 saw the beginning of a new banking era with new banking problems. Lack of public confidence, continuing low interest rates, the scarcity of eligible loans, severe competition from Government lending agencies and private finance companies—these and many problems have created situations demanding constructive thinking in the light of wholly new conditions and often calling for unprecedented action by the board of directors if an institution is to continue serving its community on a profitable basis.

Nor can a bank director's duties now be confined to attendance at more frequent and protracted board meetings for the consideration of these new problems if his institution is to prosper under existing circumstances. It behooves every director who has the interests of his institution at heart to use his prestige in the community and his business and social connections in a constant endeavor to influence new business for his bank. His work in this direction has only just begun when he brings in all his own and his family's business and accounts.

NEW BUSINESS

IT might be mentioned here that the duties of a bank director do not include active new business solicitation and that unless a director voluntarily undertakes such work, his offices in this regard should not rightly be expected to extend beyond the furnishing of leads and introductions. However, the director who appreciates that his own good name is involved in the success of the bank and who is accustomed to throwing his whole heart into whatever he undertakes will bring business to the bank without waiting for officers to importune him to do so. He has most likely made a success of his own business and is proud of his record; therefore he will exert every effort to promote the success of his bank.

In several ways, a director has decided advantages over the bank officers in influencing new business. In the course of his business life he will have established many valuable contacts with other business executives. He probably knows a number of substantial men intimately and is fully aware of their business connections and how his bank could best serve them. Often he is reluctant to take advantage of these friendly relationships by personally soliciting business for his bank, but is willing that an officer do so under his guidance.

Such an approach is frequently more satisfactory and more productive than if it were made by the director himself. Information to an officer of the bank as to likely new business, an introduction by letter or telephone, and hints regarding the opening conversation and what facilities and services to offer, form an ideal method of soliciting and obtaining new business without in any way disturbing the director's business or personal relationships with the prospect.

OUT-OF-TOWN CONTACTS

FREQUENTLY it is also possible for a director to influence or even directly obtain bank balances and other lucrative business from concerns in other parts of the country with which he has connections. It may be that he is able to help an out-of-town manufacturer or merchant create sales, develop new business, solve a local problem or obtain an audience with a difficult prospect, and so get the good will of the out-of-town man that the latter is glad to reciprocate with compensating balances or business of one kind or another for the director's bank.

Once a director has turned his attention to promoting business for his bank, he will find increasing pleasure in the work, and new avenues will present themselves. There should be, of course, a continual exchange of constructive ideas among directors so that the thought of one may be translated into the action of others. With an alert bank officer or solicitor working under his counsel and guidance, remarkable results can be achieved without the director expending much time or disrupting his own business or social relationships.

The directors should make it a point to know every employee of the bank and always to exchange a word in passing. Such recognition will work wonders in building a united organization ever on its toes to advance the success and prosperity of the institution.

Directors should know and develop a friendly speaking acquaintance with the customers, large and small, of their bank.

While a conservative and dignified mien has a confidence-building influence in the eyes of the man on the street, yet a smile, a pleasant greeting and an expression of interest in the affairs and well-being of even the lowliest of depositors or borrowers will do more to build business for the institution than hundreds of dollars spent on advertisements in the daily press.

It's *How* Deposits Are Used

MR. LIESY is a member of the Research Staff of the California Bankers Association, San Francisco.

AMONG currently proposed regulations designed to strengthen our banking structure is one that would require banks to have at least \$1 of capital for every \$10 of deposits. Since capital is a protective reserve for depositors' funds, the objective of this proposal is to safeguard depositors against loss. Inasmuch as 98 per cent of the country's total number of deposit accounts and 45 per cent of the total amount of deposits are already insured against loss by the Federal Deposit Insurance Corporation, the result of the regulation would resolve in large part into protection of this corporation.

Proponents of the measure point out that the proportion of capital to deposits in the banking system as a whole has been decreasing because net additions to capital funds have not kept pace with the unprecedented increase in deposits which over the past few years has accompanied the Government's deficit financing and our huge imports of gold. It is argued, therefore, that the law should prescribe a minimum capital ratio so that, regardless of the level of deposits, a minimum amount of protection would always be provided.

At first glance this looks like a logical and admirable idea, but upon further consideration it is easy to see that such a regulation would not only be far from logical, but would be a very superficial, perhaps even harmful, way of attacking a complex problem.

Let it be fully understood, however, that the arguments to follow are in no sense presented with the aim of justifying or advocating violation of sound banking practices; rather, the purpose of the article is to show that the proposed 10 to 1 ratio would prove inadequate in achieving a soundly and sensibly capitalized banking system.

In the first place, it is obvious that the rise in deposits has not been the result of normal causes. It has come about, not through an increase in loans attendant upon prosperous business conditions, but through the abnormal influences of heavy gold imports and financing by the banks of the Government's spending program. Banks have thus served a passive rather than an active role in the creation of the present high level of deposits, and since credit demands have not revived, the banking system now finds itself in possession of a huge surplus of idle funds together with large amounts of Government bonds. It follows that the risk banks have incurred with respect to their liability to depositors is very much less than if the new deposits had resulted from an increase in loans. In other words, the high level of deposits should not in itself be cause for alarm, for the new funds have largely remained in the form of very liquid assets.

The principle expressed above is that a bank's capital needs are much more dependent on the *use* the bank is making of its deposits than on the *amount* of its deposit liability. This means that the question of capital adequacy must be approached from a qualitative rather than a quantitative standpoint. It is necessary, therefore, to appraise capital in the light of the character and quality of the assets, rather

than merely to measure it in relation to deposits. Thus, if adequate capital is to be assured, management must be relied on to follow sound banking policies, the supervisory authorities must be trusted to require proper additions to capital when sound policies have been violated, or regulations must be imposed that are directed at the source of possible trouble. In order to illustrate these points and to show the effect that a mandatory capital ratio would have, an analysis has been made of all insured California banks from figures taken from the official statements of condition for September 28, 1938. Before proceeding to this, however, past experience should be examined to see if it provides any support to the argument for a deposit-capital ratio of 10 to 1.

In 1935 and 1936, according to reports of the Comptroller of the Currency, the affairs of 100 national banks which had failed in 1931 were finally closed. As of December 31, 1929, only 10 of these 100 banks had deposits in excess of 10 times capital funds, and the average deposit-capital ratio for the whole group was only 5.8 to 1. Yet, despite this more than adequate protection of deposits—as defined by advocates of the 10 to 1 ratio—an average of only 59.4 per cent was ultimately paid on the claims of those depositors who, at the date of failure, had their money in the 90 banks which showed favorable capital ratios in 1929. Only 7 out of the 90 banks paid 100 per cent of depositors' claims.

SOME STATISTICS

LOOKING at it another way, the latest annual Comptroller's report states that 2,290 national bank receiverships have been terminated in the period from the date of the first national bank failure in 1865 to October 31, 1938. Total dividends ultimately paid, as a percentage of the total claims proved by depositors in these failed banks at their dates of failure, was only 67.4 per cent. These dividends, moreover, were disbursed from funds which included assessments paid by stockholders under their double liability. The comparable figure for 365 receiverships terminated in the year ended October 31, 1938, was 69.7 per cent, indicating that average results since 1865 are still representative of the present situation. No matter what the capital of these failed banks was, it did not save depositors from losing, on the average, over 30 per cent of their money. For capital to have been adequate to absorb these losses, it would have had to be greater than it actually was by an amount equal to at least 30 per cent of deposits.

Table I shows California banks grouped by their ratios of deposits to capital, and according to the liquidity of the banks in each group. To measure liquidity, the total of a bank's cash and unpledged Government securities has been computed as a percentage of its deposits, exclusive of those secured by pledge of assets. This measure is not an ideal one, for it is not strictly accurate to include all unpledged Government securities in the category of "liquid assets", which by definition should include only cash and those investments which may be converted into cash at any time without material loss. It would be more correct to include only

By E. S. LIESY

those Governments whose prices would remain virtually unchanged should there be a rise in interest rates. Since such a classification of these securities is not available, the method used will have to suffice, but it should be adequate for purposes of this analysis.

From the last column it can be seen that there are 21 banks having deposits in excess of 10 times capital funds, and that all of these banks show marked liquidity. The ratio of only one bank is as low as 25 per cent, while all the others range between 35 per cent and 82 per cent. On the basis of this one relationship, it certainly would not appear logical to require these banks to increase their capital, for depositors are already more than amply protected by the liquidity of these banks, and additions to capital would probably serve only to make them more liquid.

In Table II, the banks are again grouped according to their deposit-capital ratios, but this time they are sub-classified according to their ratios of capital funds to total investments. This analysis of a bank's capital position relative to its investments is especially important. Considering that a quoted market makes for immediate recognition of declines in investment values—whereas losses on loans do not usually become suddenly apparent—capital should be well prepared to withstand the shock of lower bond prices. It is therefore important to know just how much of a decline in investments could be supported by present capital structures. In this respect, the percentage of capital to investments is significant, for if investments should depreciate by this percentage, capital would be completely wiped out.

Here again, however, it must be admitted that the figures do not give a strictly accurate picture, for, if the facts were available, some of the investment-capital ratios might be improved by the disclosure of hidden reserves resulting from conservative investment valuation policies. On the other hand, since some of the capital funds are tied up in bank premises and other fixed assets, the percentage decline in investments that actually could be supported without loss to depositors would be somewhat less than that indicated by the ratio of total capital funds to investments. Also, those securities properly belonging in the category of "liquid assets" should be excluded from the investment account before the ratio of capital to investments is determined.

In other words, capital should bear a definite relationship to the degree of vulnerability of the long-term investment account.

From Table II it is evident that a mandatory deposit-capital ratio would be a poor safeguard, for the wide range of cases illustrates that widely divergent investment policies are being followed. Although 12 of the 21 banks in the last column have ratios of capital to investments of less than 25 per cent, it is significant that the average percentage of Government securities to total investments in each of these 12 banks is 70 per cent.

It is of no little importance that although there are only 21 banks having deposits in excess of 10 times capital, this group represents 63 per cent of the combined deposits of all California insured banks. Of even more significance is the

fact that should these 21 banks have to comply with the 10 to 1 ratio, an aggregate amount of \$39,000,000 would have to be added to present capital funds. The raising of this much capital would not be an easy task with markets for new equity issues as limited as they are at present.

Actually, the load that banks would probably have to bear has been understated, for continued expansion in deposits by way of deficit spending is not likely to be outweighed by a contraction in deposits resulting from withdrawals of foreign capital, increased hoarding or repayment of loans. Therefore, banks which are not far below a 10 to 1 ratio at present might soon be faced with the need for increasing their capital.

Another important consideration is the danger that a fixed ratio would lessen the flexibility of our credit machinery. Should a strong demand for loans revive, banks just meeting the 10 to 1 requirement would not be able to make additional loans until they had first increased their capital to a level that would accommodate the increase in deposits arising from the new extension of credit. Also, banks having seasonal credit demands would have to maintain at all times capital sufficient to enable them to meet their peak load in borrowings.

TABLE I

CALIFORNIA INSURED BANKS GROUPED ACCORDING TO CAPITAL POSITION* AND LIQUIDITY,** AS OF SEPTEMBER 28, 1938

	All Banks	Banks with Ratios of Deposits to Capital Funds of —		
		less than 6 to 1	6 to 1 to 10 to 1	10 to 1 and over
All Banks.....	203	79	103	21
Banks with Liquidity Ratios of —				
less than 25%.....	28	9	19	—
25% to 50%.....	122	55	55	12
50% to 75%.....	49	13	28	8
75% and over.....	4	2	1	1

* As measured by the ratio of deposits to total capital funds, the latter including capital stock, surplus, undivided profits, reserve for contingencies, preferred stock retirement funds, and reserve for dividends payable in common stock.

** As measured by the ratio of cash plus unpledged Government securities to deposits not secured by pledge of assets.

TABLE II

CALIFORNIA INSURED BANKS GROUPED ACCORDING TO CAPITAL FUNDS RELATIVE TO BOTH DEPOSITS AND INVESTMENTS, AS OF SEPTEMBER 28, 1938

	All Banks	Banks with Ratios of Deposits to Capital Funds of —		
		less than 6 to 1	6 to 1 to 10 to 1	10 to 1 and over
All Banks.....	203	79	103	21
Banks with Ratios of Capital Funds to Total Investments of —				
less than 25%.....	30	1	17	12
25% to 50%.....	76	21	48	7
50% to 75%.....	47	25	22	—
75% and over.....	50	32	16	2

Country Branch Bookkeeping

By RICHARD S. BRADFORD

MR. BRADFORD is Manager of the Merrill Trust Company, Orono, Maine.

IN a period like the present, characterized by low rates on loans and discounts and small yields on high grade bonds, banks find it increasingly difficult to maintain earnings at a sufficiently high level to provide an adequate margin of profit. Furthermore, intelligent opinion indicates that interest rates will not materially increase for some time to come because of the many factors operating to prevent any marked advance in the price of money.

Because of the fact that many corporations are in a strong cash position as a result of self-financing in the investment market and because of technical changes which tend to level out seasonal needs of business for commercial financing, it is doubtful whether even a substantial business recovery will be accompanied by a demand for bank credit commensurate with the levels of the decade following the World War. It is therefore evident that if commercial banks are to survive and continue in their present place in the economic structure, such a survival will depend to a great extent upon improved methods of management which will enable them to operate profitably upon a restricted volume of business and low yields on earning assets.

The introduction of complete schedules of service charges is one method by which enlightened management has met this challenge and the plan is feasible at the present time when operated in a manner calculated to eliminate the necessity of providing banking service at a loss and even to show a modest profit on such transactions. There are limitations to its effectiveness, however, as any attempt to replace former earning power entirely by this method is bound to result in minimizing the use of the check as a means of payment, with the consequent serious loss of deposits and the resultant necessity for handling a large volume of currency in its place.

Furthermore, there still remains in the mind of the public more or less resentment and misunderstanding over the whole question of service charges, which must be overcome with a good deal of intelligent cooperation and educational effort.

In order to widen the margin of profit, it is therefore evident that the efforts of bank management must be in the direction of increased operating efficiency with consequently reduced operating expenses.

A POSTING ECONOMY

ONE method by which The Merrill Trust Company of Bangor, Maine, has achieved this result is through economies effected by the elimination of posting the commercial account ledgers and the customers' statements in its branches and the centralization of the bookkeeping staff in the main office. The added volume of posting was not sufficient to necessitate any additions to the bookkeeping force at the main office and resulted in the elimination of needless clerical

expense in the branches. It was found that the branch offices could be operated successfully under this plan with one to two fewer members on the staff of each in addition to the saving resulting from the need for about one-half as many bookkeeping machines and a fuller utilization of those remaining in operation.

At the time our treasurer, George D. Everett, conceived the idea of installing this system, it had been operated successfully in some of the large city banks having all their branches located in the same city, but its application to a country bank, having ten branches located in towns up to one hundred miles distant from the main office, was unique. The problems incident to the installation of the system were new and there was no guiding precedent for their solution, but after careful study, the details of handling were worked out and remain practically the same after five years of successful operation.

HOW IT WORKS

IN the first place, the commercial deposit balances shown on the general ledgers of the branch offices were charged off and credited to the main office account, the branches continuing to accept deposits and cash checks as before except that now these items are sent to the main office for posting. Checks drawn on us or any of our branches are listed on regular remittance sheets as are the slips representing deposits to commercial accounts, and these are mailed to the main office at the close of each day's work, the main office account on the general ledger of the branch being charged with the amount of the checks and credited with the amount of the deposits, while the opposite entries affecting the respective branch accounts are entered by the main office's accounting department. Checks not on us received at the branches continue to be handled in the usual manner, while checks on us coming from the Federal Reserve Bank of our district for payment are all sent direct to the main office by the Federal Reserve Bank, regardless of which branch they may be drawn upon, remittance being made back to the Federal Reserve Bank by the main office.

Inasmuch as our branch offices are all located in small towns, cashing of checks offers no problem, even though the ledgers are not immediately available, as the depositors are well known by the branch staff and any questionable accounts can readily be verified by telephone.

We have found that this method of handling customers' accounts offers no particular difficulty insofar as the customer himself is concerned. He continues transacting his banking business as usual at whatever branch office is convenient.

While it may not at first be evident that any material saving can be effected through the use of this system by a country bank having a few small branches scattered throughout nearby towns, our experience indicates an addition of 15-20 per cent to net income, resulting from savings made possible by this plan.

The Finances of Neutrality

By GEORGE E. ANDERSON

MR. ANDERSON writes frequently for *BANKING from Washington*.

ESTIMATING the amount of money which Great Britain and France could spend in the United States for armament and supplies in case of war in Europe is likely to be a favorite indoor sport of economists, financiers and exporters until the final test can be made. Estimates vary widely and in some cases have approached the ridiculous. It may be admitted in entering upon a discussion of the subject that absolute figures are out of the question but there are enough official data at hand to give some fairly definite idea both of the financial limits upon war purchases in this country, and upon the amount of American securities which might be sold by foreigners on the American markets under pressure to obtain necessary exchange to cover such purchases.

The Treasury Department's reports of net movements of foreign capital into the United States show total holdings of American securities by foreigners amounting to \$3,845,200,000, the holdings of Great Britain and France being \$1,696,800,000 and \$335,100,000, respectively. On the basis of this and other government data, the holdings of long term investments in this country by Great Britain and France as of last December 31 would be as follows:

British and French Holdings of Long Term Investments in the United States, December 31, 1938.

	Great Britain	France	Total
Securities.....	\$ 931,800,000	\$267,100,000	\$1,198,900,000
Direct investments.....	362,000,000	14,000,000	376,000,000
Other investments.....	403,000,000	54,000,000	457,000,000
	\$1,696,800,000	\$335,100,000	\$2,031,900,000

The direct investments thus scheduled represent foreign investments in all American corporations, exclusive of financial institutions, in which foreign corporations or share holders held control. Other stock holdings are included in other items. Foreign holdings of bonds of corporations controlled by foreigners are also included as direct investments. The item of "other investments" includes securities and property administered through trusts for foreign account, the net equities of foreign insurance companies in United States affiliates and branches, and foreign holdings of mortgages, real estate and the like.

In all the above figures the book values are taken for direct investments, the market values for common stocks and par values for preferred stocks.

In the matter of short term liabilities to foreigners one can proceed with assurance, for the Treasury Department publishes the figures for the total of such liabilities outstanding as of quarterly—more recently as of monthly—returns. On last December 31 the total of such liabilities to foreigners amounted to \$2,003,900,000, of which Great Britain held \$438,800,000 and France \$190,900,000. Combined long and short term obligations of the United States

to all countries at the end of 1938 amounted to \$7,933,100,000, doubtless materially increased by imports of capital during the current year. Liabilities to Great Britain on December 31 amounted to \$2,135,600,000 and to France, \$526,000,000.

Offsetting these obligations, in theory at least, the United States held short term obligations against all countries in the amount of \$626,000,000, of which Great Britain owed \$87,700,000 and France \$13,300,000. At the end of 1937 United States long term investments abroad were valued at \$11,074,000,000. How much of a set-off foreign obligations to the United States would be to American obligations to foreigners in case of war is not known. Short term obligations of \$90,900,000 from Germany and \$13,300,000 from Italy would hardly be worth much. Nor could much be expected from other countries in time of war.

The fact should be faced that in all probability other countries would draw upon the United States to the full extent of their credits without meeting any more of their obligations than circumstances necessitate.

THREE-CORNERED TRANSACTIONS WOULD FIGURE

ON the other hand, in estimating possible limits of Anglo-French expenditures in the United States in case of war the possibilities of arbitrage or triangular transactions are not to be overlooked. Short term obligations due foreigners at the end of last December included \$98,400,000 to The Netherlands, \$217,400,000 to Switzerland, \$249,900,000 to Europe not otherwise named, \$235,200,000 to Canada, \$254,900,000 to Latin America and \$243,700,000 to the Far East. Most of these countries owe money to Great Britain or France or both which might be drawn upon as against United States obligations to them. There are many possibilities of financing purchases in the United States provided the nations concerned are creditor nations.

From the stock market standpoint British and French holdings of American securities represent the critical element in the situation. The outbreak of war would mean that approximately a billion and a quarter dollars of securities, whether taken over by the respective governments concerned or not, would hang over the American market to a greater or less degree, not to mention war reaction on holders of American securities in other countries. Substantially two-thirds of these securities are common stocks, the most volatile of all foreign investments. It does not follow, however, that all or even the greater portion of these securities would be liquidated. It is unlikely that there would be any considerable transfer of direct investments, which are the least volatile of foreign investments and those most difficult to dispose of without loss. Private investors would probably hold to their securities as long as possible, both for the earnings involved and as a matter of safety. Assuming that the governments concerned would seize the securities as in the latter days of the World War, it would be to their interest to withhold them from the market for the protection of values.

The Legal Answer Page

Instalment Loans

IN recognition of the fact that personal instalment loans cannot be made at the usual rates of interest for money loaned, the Committee on State Legislation of the American Bankers Association drafted and recommended for passage in all states the Personal Instalment Loan Statute. This statute would authorize banks to deduct in advance, on loans not exceeding \$1,000, the contract rate of interest on the total amount borrowed for the full period of the loan, notwithstanding that the principal amount of such loan is required to be repaid in instalments.

Advertisements of this type of loan should not be misleading as to the actual interest rate paid. In the past, competition led many automobile finance companies into such an error. The Federal Trade Commission cited these companies for unfair trade practices and held that representations that they would sell their cars "on an annual 6 per cent time-payment plan" were misleading and deceptive. The financing plans employed actually involved a 6 per cent rate charged on the full amount of the account from the date it began until it was closed regardless of the fact that the account was amortized in equal monthly payments. Because of the amortization payments the borrower had the use of an amount of money less than the face amount of the loan averaged over the period of the loan. Thus, the financing plans used involved interest payments actually about 100 per cent greater than the 6 per cent interest rate, or approximately 12 per cent.

Advertising of this character can have unfortunate results in the impairment of public confidence and good customer relations.

Joint Accounts

THE question has been asked whether checks drawn to the order of one of the two persons jointly owning a bank account should be indorsed by the payee or whether they may be indorsed to the credit of the joint account by the other joint depositor.

Under the American Bankers Association Deposit in Two Names Statute the bank may pay the account to either of the joint depositors "and the receipt or acquittance of the person so paid shall be a valid and sufficient release and discharge to the bank for any payment so made."

It would seem that safe banking practice would demand that the indorsement of the payee named in the check be required, inasmuch as the deposit of a check payable to one of two joint depositors in a joint account is tantamount to a transfer of interest in said check to the other, since either depositor may withdraw funds from the joint account without the signature of the other.

Actual indorsement by the named payee would not be necessary where the depositors have signed the American Bankers Association recommended form of signature card for joint accounts. (See Paton's Digest, opinion 1810, for form.)

Accounts Receivable As Collateral

IN accepting an assignment of accounts receivable as collateral for a loan, banks are often faced with the request that the debtors of the assignor shall not be notified of the assignment.

The general rule, in the absence of a statute to the contrary, is that it is not essential to the validity of the assignment as between the bank and the assignor that notice of the assignment be given the debtor. Such notice is necessary only to charge the debtor with the duty of payment.

On the question of the effect on priorities between successive assignees of the fact that the subsequent assignee was the first to give notice of the assignment to the debtor there are two clearly different and irreconcilable rules. "According to the weight of authority, the assignee who first gives notice of his claim to the debtor is preferred and has the prior right, regardless of whether his assignment was prior or subsequent in time to that under which other assignees claim, unless he takes a later assignment with notice of the previous one or does not give valuable consideration for his assignment. There is, however, a strong line of authority in support of the rule that, as between the assignees of a chose in action by assignments from the same person, the one prior in point of time will be protected, although he has given no notice of his assignment to either the subsequent assignee or the debtor." 4 American Jurisprudence §107. A state following the minority rule is New York.

As a matter of safe banking practice, it seems better to give the debtor notice in order to prevent payment to another assignee or a subsequent assignee unknown to the bank. If such a payment has been made, it is possible that when it is subsequently discovered, the recipient may not be in a financial condition that would permit his refunding the money to the bank, even though in states such as New York, he legally would be required to do so.

Liability For Notary's Negligence

AS pointed out in Paton's Digest, there is a conflict of reasoning on the question of banks' liability for the neglect of their notaries.

In some states where a bank receives paper for collection it is held to be liable for the failure of its notary to take the proper steps to bind the parties thereto. This liability is predicated on the theory that the notary is the agent of the bank and not of the depositor or owner of the paper.

In other states it is held that the bank which places paper in the hands of a competent and reputable notary for protest is not liable for any loss on account of negligence of the notary. According to this line of authority, a notary public being a public official is the agent of the owner and not of the bank employing him.

Of course, if the notary performs an act that does not require his official capacity, there is ample reason to hold that such an individual is the agent of the bank. In such a case the bank would not be exempt from liability.

The Trend of Things



HARRIS & EWING

THE Monopoly Committee heard authoritative diagnoses on what ails the nation's credit machinery. Among the first to testify was Owen D. Young, who said that Federal taxes, not financial machinery, were at fault. Another recent witness was Edward R. Stettinius, Jr., of U. S. Steel, shown, *center*, in the picture at the left, with Isador Lubin, Department of Labor, and Leon Henderson, S.E.C.

TO GO BACK—

Below, the committee as it was originally formed. *Left to right: seated*, Messrs. Borah, Oliphant, King, O'Mahoney, Sumners, Arnold, Eicher; *standing*, Patterson, Ferguson, Douglas, Lubin, Reece. (See BANKING for September and October 1938 on the committee's personnel.)

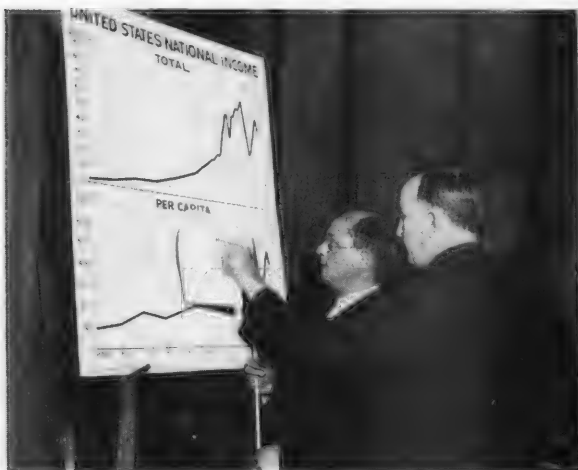


UNDERWOOD

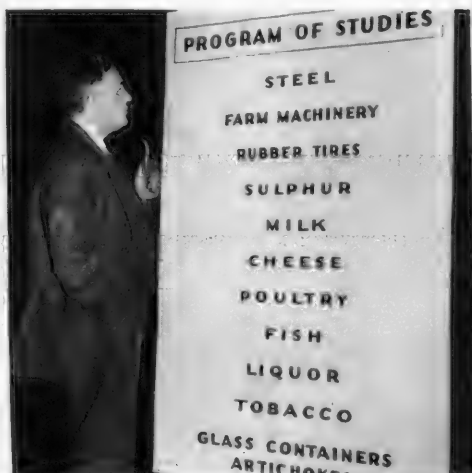
The hearings have attracted wide popular interest. At the first hearing, *below*, and at some later ones, there was standing room only



HARRIS & EWING



The first witness was Isador Lubin, Commissioner of Labor Statistics (above, left, with Chairman O'Mahoney). Early in the proceedings William S. Knudsen, president of General Motors Corporation (above, right), was called in



Above: left, Edsel Ford testifying; right, Willis J. Ballinger, Economic Adviser to the Federal Trade Commission, looking over the committee's agenda as published early in March

Below: left, F. W. Ecker, vice-president, and F. H. Ecker, chairman, Metropolitan Life Insurance Company, before the committee; right, Willard Thorp, director of economic research, Dun & Bradstreet, testifying



ALL PHOTOS HARRIS & Ewing
BANKING



EUROPEAN

A current riddle is: "What is the difference between Mr. Chamberlain and Herr Hitler?" The answer: "Mr. Chamberlain takes his week ends in the country and Herr Hitler takes his countries in the week ends." Some observers think that unless a war starts this Summer there may be none for a matter of years. Above, Foreign Minister Von Ribbentrop and Chancellor Hitler look ahead

Below, some of the surplus food stamps that are being tried out in Rochester, N. Y., by the Federal authorities in an effort to distribute certain "surplus" commodities to the needy. As far as banks are concerned, the plan works something like this: The food sellers stick on cards the stamps they get from customers. When a card contains \$20 worth of stamps the merchant turns it in to the bank, which pays him cash to the stamps' face value. The bank then lists such payments to dealers and notifies the local Federal Surplus Commodities Corporation office, which issues a check in settlement



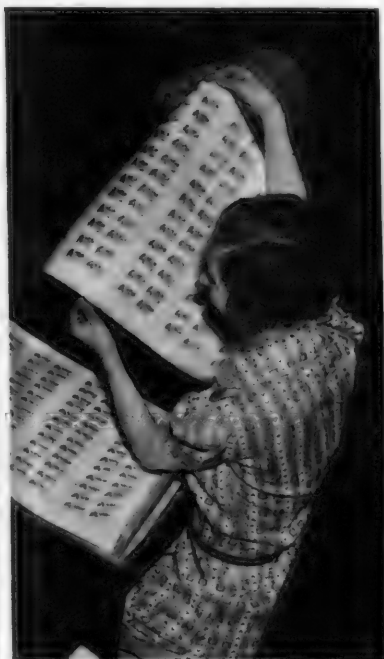
MESSNER IN THE ROCHESTER TIMES-UNION



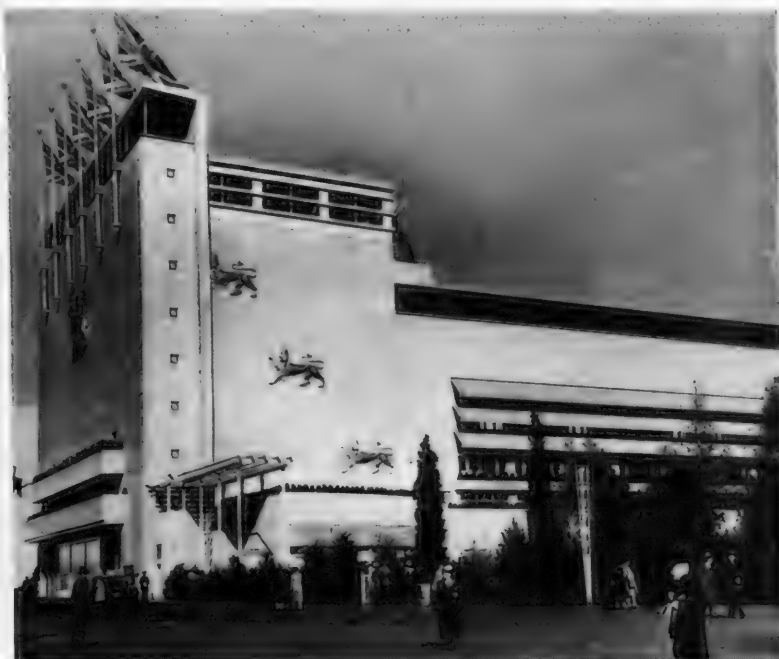
MARCUS IN THE NEW YORK TIMES

Above, a cartoon captioned "Reducing". While some reorganization plans have been set afoot, ostensibly for purposes of greater efficiency and economy, the so-called "economy bloc" in the Senate boosted the House farm appropriation when the bill was passed by the upper body. Left, "He Only Has To Hatch Them", a comment on the inactivity of the present session, so far as accomplishing items on its program is concerned. There are still fitful expressions of a desire to aid business

Below, the British pavilion at the New York World's Fair, which is on the route of King George and Queen Elizabeth. They will also visit the White House and the President's estate at Hyde Park before they return to Canada for the return journey to London



HARRIS & EWING



WIDE WORLD

"Your Money and Mine"

DURING the first four months of 1939 the Wisconsin Bankers Association showed its motion picture, *Your Money and Mine*, to more than 35,000 men, women and children, and the number is increasing daily.

This experiment in visual education is an important addition to the public relations program begun late in 1936 on the suggestion of the association's committee on education and public relations. At that time Wall G. Coapman, the Association's Secretary, recommended that A. R. Gruenwald be engaged as director of public relations. Shortly after this, special arrangements were completed with the Federal Reserve Bank of Minneapolis to show their motion picture, *Back of Banks and Business*, throughout Wisconsin as a part of the association's program.

The cooperation of association members in sponsoring local showings, the thousands of people reached in a comparatively short time and the favorable reaction of the public to that film led Mr. Coapman and Mr. Gruenwald to encourage the consideration of a picture on banking in Wisconsin for the use of association members. The project was approved early in 1938.

Then followed endless research and study. No state bankers association had previously prepared an educational film of that type. Unlike the motion picture of the Federal Reserve Bank of Minneapolis, reflecting in the main the operations and services of one institution, the proposed picture of the Wisconsin Bankers Association would, of necessity, portray the functions and services of almost 600 Wisconsin banking institutions of varying sizes and types.

The only safe course seemed to be a writing of the scenario by the association's public relations department in cooperation with the producer. On this point Mr. Gruenwald says: "Questionnaires, correspondence and checking with the banker, the customer and the public were necessary. The scenario was written and re-written, checked and re-checked for accuracy and to prevent, if possible, expensive revisions shortly after completion. Divergent viewpoints had to be reconciled and compromises effected. The legal and technical language of the banker had to be clarified. Since the picture was intended for the public and not for bankers, it had to be prepared from the viewpoint of the public and include the information people wanted and in which they were interested. In this, guesswork was omitted and the

scenario built on public requests for information accumulated by the association's speaker's bureau and public relations department."

The picture opens with an off-stage voice asking the very questions on banking most commonly asked by Wisconsin people. Then follows a brief history of money and banking to give the information people have sought and to portray the evolution of our monetary and banking system, of particular interest to educational institutions. The film continues with a series of interesting visits to Wisconsin banks, large and small, in industrial and agricultural areas where one is taken behind the scenes.

During the first four months of its screenings, the majority of Wisconsin county banker associations, embracing 71 counties, called special meetings at which the film was shown to 2,500 employees, officers and directors of member banks prior to public showings in theaters and schools and before other organizations.

In the period referred to, the Wisconsin film has been shown in the theaters of the state, invariably as a part of the regular theater program, to 21,000 people. School showings have reached 10,000 students and showings before miscellaneous organizations total 2,500.

Member banks in some communities have recalled the film several times, and outside inquiries have been received from 21 states and Canada. Pages of favorable comments have been taken from reports received on showings and circulated to members of the association in public relations bulletins. On the basis of this response, the association hopes in time to reach a half million of its Wisconsin population, which will bring the initial cost per capita to between one and two cents, indicating the economy as well as the effectiveness of visual education.

"ACTION"

Here are a few "stills" from the Wisconsin picture. At the right is one from the historical portion of the film, showing Greeks of 400 B.C. minting coins. The two below show a Wisconsin business man discussing a loan with his banker, and a country banker congratulating a 4-H member on his prize corn





Above, an economics class at West Division High School, Milwaukee, about to see and discuss the film

Below, a few of the many newspaper clippings from all parts of the state describing successful showings of the picture

BANKERS PLAN ANNUAL MEET

A motion picture depicting money and banking will be shown to county bankers at their meeting Friday, Feb. 24, at the Moor Baths, where the Waukesha County Bankers Development Association holds its annual meeting, it was announced Friday.

The film is a talking motion picture by the Wisconsin Bankers' Association which tells the story of money and banking from the days of barter and buried treasures to present-day banking in Wisconsin. The picture begins with the story of the first money.

Local Bank Employees To See Special Film

The Wisconsin Bankers' Association motion picture, "Your Money and Mine," will have its first showing to Milwaukee bank employees Friday afternoon at the Elbat theater. This film is an educational one which was produced to tell the story of banking.

The historical portion of the film is followed with a series of visits to Wisconsin banks, large and small, in industrial and agricultural areas where the audience is taken behind the scenes.

The film also tells the story of checking accounts and what goes to the money which is deposited in them. It shows the journey of a check used to pay a local bill and likewise the airplane trip to the check to pay a bill in New York.

Bankers Have Meeting Here

Waupaca-Shawano Counties Group Convene Tuesday Evening at Marson Hotel.—150 Present

The Waupaca-Shawano County Bankers' Association held a meeting at the Marson Hotel Tuesday evening.

Pickard Will Address County Bankers Group

S. N. Pickard, president of the Wisconsin Bankers' Association, will address members of the Outagamie County Bankers association and their wives and friends at a 6:30 dinner meeting Tuesday evening at the Conway hotel.

Proceeding the dinner the Wisconsin Bankers' association movie, "Your Money and Mine," will be released at the Elbat theater. The movie will be released for public use in school classes at club meetings, H. W. Kauna, is president of the group.

While a moving picture was shown, this picture, entitled "Your Money and Mine," has been produced and is being sponsored by the Wisconsin Bankers' Association.

Winnebago County Bankers Association held a dinner meeting for members on March 11 in Oshkosh, Wis., with a large attendance. S. N. Pickard of Neenah, president of the Wisconsin Bankers Association, was the guest speaker.

Wall G. Coapman of Milwaukee, secretary, were the guest speakers. Members of the association viewed the picture "Your Money and Mine."

Attend Bank Group Meeting In Racine

Interesting Speeches and Movies Shown at Big Banquet—Attend From Here

Tuesday evening ten East Troy journeymen to Racine to attend meeting of the Racine-Kenosha Bankers' association, held at Coman's club. The total attendance was close to 200, and 35 banks represented.

Roy McCanna, president of the Burlington, and president of the above bankers' association, presided as chairman and opened the meeting with some fine remarks. Fred Baehman, second, and Willard Baehman.

S. N. PICKARD AND COAPMAN ADDRESS BANKERS' MEETING

Speakers Point Out Ways in Which Financial Institutions Promote Better Service to Public

Banking activities in relation to the public were discussed by speakers at a large gathering attended by members of the Winnebago County Bankers' association here.

Speakers held in First Methodist Church.

COUNTY BANKERS TO HERE TONIGHT

Expected 150 Attend Dinner at First Methodist Church

Persons will attend meeting of the Winnebago County Bankers' association at this evening in the First Methodist Church.

Neenah, president of the Winnebago County Bankers' association, will speak on a similar

Speaker at Meeting of Bankers Gives Views on Present Day Needs

Spiritual Rebirth Will Save Free Enterprise And Democracy, Says A. S. Puelicher; 30 Banks Of Three Counties Represented at Session

"In this day of class consciousness, in this day of class hatred, we must take our jobs seriously. If we want to save free enterprise and American democracy," A. S. Puelicher, president of the Winnebago County Bankers' association, said at a meeting of the association at the First Methodist Church here Tuesday evening.

"We will have to get back to religion," said the speaker. "We will have to get back to God, get back to the church, get back to the spiritual rebirth."



Above, more "stills" from the film, showing a boy at the savings teller's window, a stranger overly anxious to cash a check, a transit department clerk in a city bank listing checks and photographing them, and a general view of a city bank transit department

Below, employees, officers and directors see the film at a meeting of Dane County bankers. Such previews are a prelude to public showings



"Your Money and Mine"

For our patrons and friends—
Through the co-operation of the
Wisconsin Bankers Association we
have secured the sound movie "Your
Money and Mine" for a showing April 12 and
13, Wednesday and Thursday, at the Tomah
Theatre, in connection with the regular program.

The theatre
has booked two
fine pictures for those
evenings and we believe
you will enjoy the entire program

BANK OF TOMAH
FARMERS & MERCHANTS BANK

Members — Federal Deposit Insurance Corp.

Left, a newspaper advertisement published by one bank in connection with the picture's appearance locally. Right, advertisement of the film set up for use in a newspaper, as an envelope stuffer, etc. Below, a preview ticket issued to employees, officers and directors in Milwaukee County

Admit One

Special Showings

"YOUR MONEY AND MINE"
W.B.A. Educational Motion Picture

Friday, December 30, 1938—Pabst Theatre
4:00 p. m. and 5:00 p. m.—Doors open 3:30 p.m.

Sponsored by Banks of Group 8 (Milwaukee County)
WISCONSIN BANKERS ASSOCIATION

Your Name.....

Bank.....

Free Movie Free Program

Hillsboro Community Day. Everybody Invited.
No Admission Charge Whatever

New Royal Theatre, Hillsboro

WEDNESDAY, MAY 10

Afternoon and Evening

THE PROGRAM: Feature Film, "Your Money and Mine." This is the famous Wisconsin Bankers' Association educational film on the subject of banking.

Feature Film: The Three Musketeers in "SANTA FE STAMPEDE," with John Wayne, star of "Stage Coach."

Comedy: "DAFFY DOC," a Porky Cartoon.

In addition there will be previews, announcements, etc. A full two-hour program of education and entertainment.

AFTERNOON SHOW: An entire matinee program will be shown, starting promptly at 3:30 p. m.

NIGHT SHOW: A continuous program will be shown at night, with the doors open for the first show at 6:30 p. m.

THE BAND WILL PLAY: The Hillsboro High School Band under the direction of Prof. R. W. Lee will play on Main Street at 7:45 p. m.

STORES OPEN: A number of Hillsboro Merchants have stated their stores will be open during the evening for the convenience of out of town visitors.

WE THANK YOU: The management of the New Royal Theatre, the High School Faculty and the Wisconsin Bankers' Association have all co-operated splendidly toward the success of COMMUNITY DAY in HILLSBORO. We thank you!

EVERYBODY INVITED: Residents of Hillsboro, the good people on the farms and in the surrounding villages are all cordially invited to be guests of the bank at this Fine Free Movie Program on COMMUNITY DAY, Wednesday, May 10. Bring the children, and Grandma and Grandpa, and the hired man, too. Let's make COMMUNITY DAY one of the real old time GET-TOGETHER affairs for which the Hillsboro trade area has long been famous.

FARMERS STATE BANK
HILLSBORO, WIS.

Below, an assembly at Roosevelt High School, Milwaukee, just before the film was shown



Time and Place:

REALIZING that new services, operating methods, sources of revenue and improved mechanical equipment are subjects of interest to bank officers, the General Convention Committee for the American Bankers Association Convention, Seattle, September 25-28, will present a streamlined program which should prove to be of material value to those attending the Seattle Convention.

Seattle bankers made this decision known in a press release to over 400 newspapers and financial publications late in March. Shortly thereafter the Hotel Committee was able to announce that advance reservations were 50 per cent ahead of last year.

It would be a mistake to infer that this is going to be an "all work and no play" gathering. Seattle is the center of one of the West's most famous playgrounds, with golf courses that meet championship specifications, facilities for horseback riding, yachting, tennis and trapshooting, a cricket club, a bossy club and a bowling green. The scenic attractions are too well known to require comment.

Incidentally, in September nothing delights the local citizenry more than to take visitors fishing in Elliott Bay (ten minutes from the hotel headquarters) to catch a 20-pound salmon before breakfast.

The pictures on these pages suggest a few interesting facts about the remarkable city which is host to the Association's 65th Annual Convention.



Above, Harold Hallstrom, maitre d'hôtel of the Olympic and Marina La-faille, chef de cuisine, with a member of the Ladies' Entertainment Committee. The Olympic is Convention Headquarters



WIDE WORLD

Above, a night view of Seattle's art museum on the crest of one of the city's highest points



GENDEAU

Above, one of the Seattle neighborhood's most scenic attractions, majestic Mt. Rainier reflected in a small lake

e:

Seattle 9/25/39



Above, a skyline view of the Convention city, with Mt. Baker in the background to the left



Left, Seattle's beautiful Volunteer Park

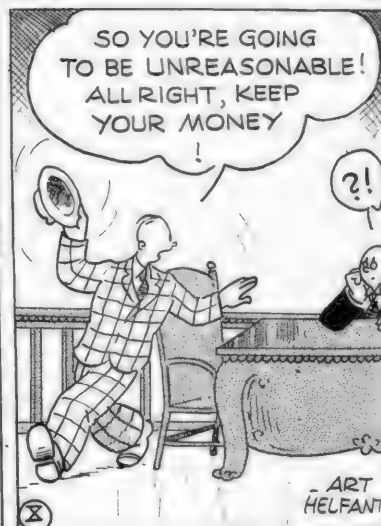
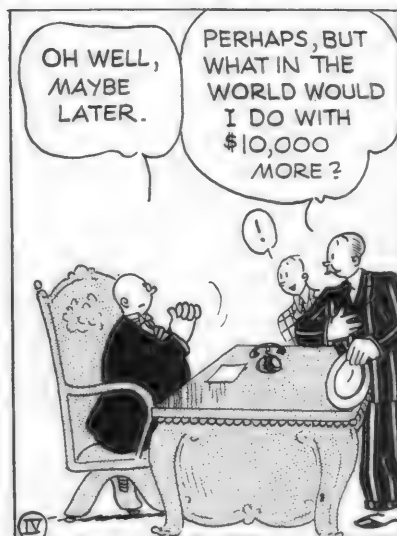
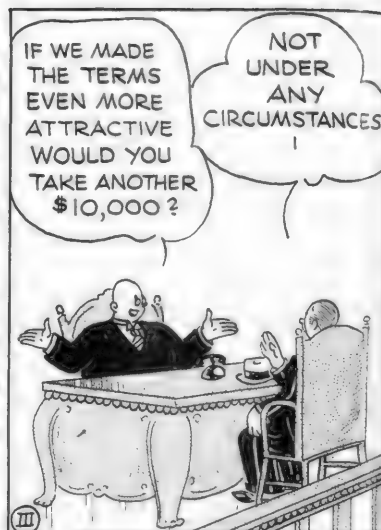
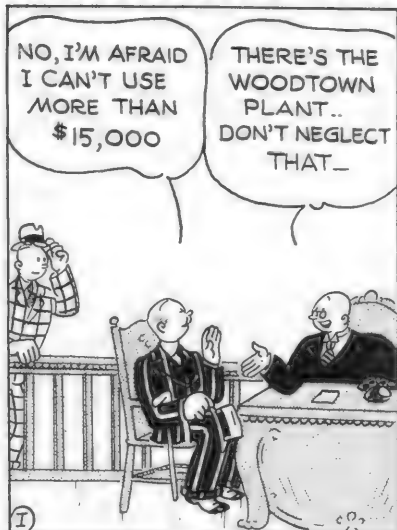
Right, King County airport at Boeing Field, the landing place for bankers travelling to the convention by air



ENDREAD
tions,

KING

Bankers' Hours



Selling Real Estate Loans

IN contrast to the increasing publicity given prepackaged housing, here is an "unwrapping" idea. This housing show is built on the mezzanine of the First Security Trust Company, Salt Lake City, Utah. Here citizens with the nesting urge find practical construction pointers necessary to meet FHA requirements, which the bank desires to promote.

Since its first showing in February, a daily average of 50 to 200 persons have visited the exhibit. Special Sunday showings have attracted 300 to 400.

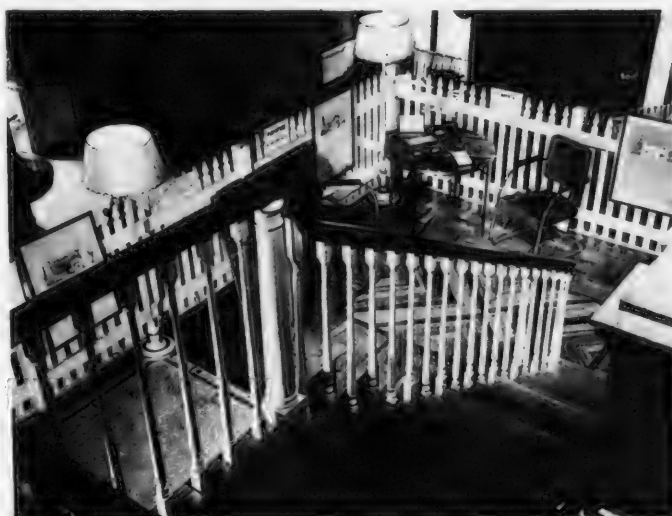
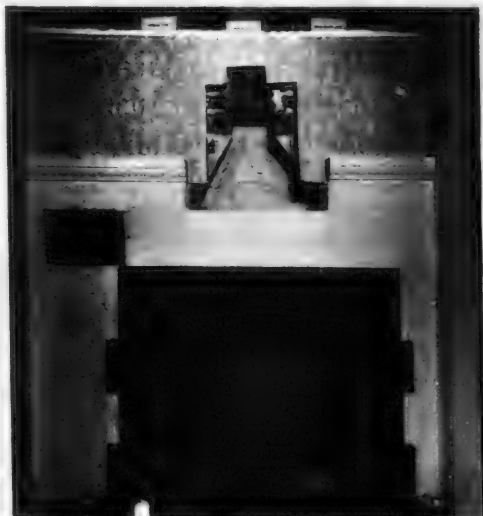
The bank reports that many visitors spend hours—some with their blue prints and a rule—checking dimensions and endeavoring to adapt some of the ideas to homes they anticipate building this year.

To put guests at ease, the bank features "Nothing to Sell—No Salesman" in all publicity and advertising. Many interested prospects, however, have given their names to exhibit guides or to bank officers. All inquiries thus made are referred to the mortgage department on the main floor where the prospect may spend as much time as he pleases discussing his plans and ideas for a home.

Left, exterior detail showing some of the labels used. Below, samples of brick, tile and flooring work



Below: left, fireplace and mantel, with part of the throat cut away to show interior construction; right, staircase leading over the vault to the mezzanine, affording, on the landing an opportunity to show furniture as well as materials and construction





Above: left, details of footing and foundation construction; right, a complete electric kitchen, with cabinets of local manufacture as well as those of a well known make. Below: left, actual size house front, with various exterior finishes; right, the display of insulating materials, sheathing and lath of various types



ANOTHER HOUSING HELP

The Security-First National Bank, Los Angeles, issued a booklet, *Useful Facts About Home Building*, which would delight any prospective home builder. The American Trust Company, San Francisco, issued a similar booklet, reproducing the same drawings and much of the text. Both contain a great deal of valuable information. The reproductions here are from the American Trust Company's version of the story

ROOF PATTERNS EVERYONE SHOULD KNOW



Hip. One of the best known of all roof patterns, the hip roof has clean, restful lines, and can accommodate almost any type of roofing material.



English Hip. As typical of English houses as their tall chimneys are these long, gently sloping roofs, of interesting texture.



Regency Hip. When used on a house of Regency design the hip may have a brief wall above the gutter.



Gable. Most common of them all, simple, plain and unadorned. Adaptable to many styles of architecture. Shares honors with the hip roof as the most popular California style.



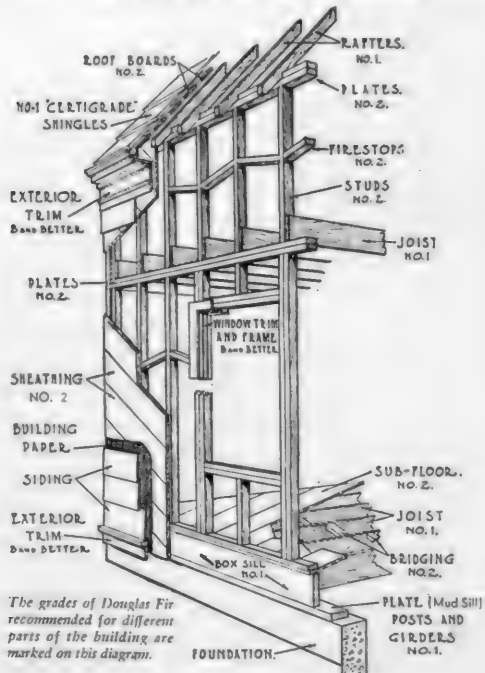
Gambrel. With two distinct degrees of slope, the gambrel roof dates back to Colonial days. It has a pleasing effect, and in addition gives extra head-room.



Modern. Our highly mechanized modern houses with straight lines and sweeping masses have flat roofs. There will be

GRADE USE KEY FOR STANDARD CONSTRUCTION

(Prepared by the West Coast Lumbermen's Association)



20

CLAPBOARD

The clapboard wall is interesting in appearance, inexpensive, and adaptable to many styles of houses. The boards overlap and have an air space underneath. May be placed either horizontally or vertically.



BRICK

Makes a handsome wall. Fire-resistant, and when properly reinforced, is permanent and strong. In new California homes brick is being used very attractively, sometimes in conjunction with wood and stucco. Brick is often veneered over wood sheathing. It is sometimes brush coated or painted.



STUCCO

Flexible and adaptable to many styles of homes. Can be given great variety of textures and colors. Fire-resistant. When correctly applied on proper wall construction is weather-tight, permanent and strong. Be sure building specifications cover mix and method of application.



STONE

Expensive, except in localities where it is plentiful. Joints must be waterproof. Texture adds interesting detail. Combines readily with other materials.



2. Recognizing Good Lumber

A well-designed wood structure of good lumber, properly braced and nailed, will resist shocks, equalize shrinkage, and make a strong frame for the house. To a wood frame may be attached a great variety of other outside wall coverings, such as stucco, brick, or stone, or wood in the form of clapboards, shingles, siding or matched boarding.

Lumber is now grade marked, and the owner of a home under construction can have lumber delivered which carries the grade mark stamped on every piece. Federal Housing Regulations require No. 1 or No. 2 grade or better in all homes upon which FHA loans are granted. These grades in general refer to Douglas Fir or so-called "Oregon Pine" lumber.

No. 1. This is the sturdy grade used for all construction purposes. Usually specified for sills, plates, posts, girders, joists, rafters, cellar beams and purlins.

No. 2. A utility grade, satisfactory for studs, bracing, bridging, wall and roof sheathing.

Select Common or Select Structural. A grade one step higher than No. 1. Combines strength with fine appearance. Has small, tight knots only. Recommended for exposed ceiling joists, rafters and beams.

"B. & Better." Suitable for the highest quality of interior and exterior woodwork, flooring, trim and exposed surface. May be specified in either vertical or flat grain.

Other woods, such as redwood, ponderosa pine, and cedar are used in house construction, and have grading systems similar to, but slightly different from, fir grades.

Typically good construction for the framework of a house appears in the diagram on the opposite page. In some sections, other lumber may be as economical as fir for framing, but Douglas Fir is the most widely used.

3. Other Materials

Wood is the usual framing material for houses in California, and provides a natural elasticity which is highly desirable where earthquakes are not uncommon. But other materials as well are suitable and widely used. Walls of brick, stone masonry, structural tile and concrete can, by proper

design and engineering, be made to meet the state's special geological conditions.

Brick is lending peculiar charm and beauty to many of the new California homes. It is often used as a veneer against a frame structure.

21

STYLES OF ARCHITECTURE



NORMAN

A man's home is still his castle, as modern homes in the style of the ancient Normans prove. The tower adds interesting detail.



MONTEREY

One of the most attractive of the current California types, warm and friendly in spirit, a union of the Colonial with the early Californian architecture.



FRENCH

There is a touch of formality in our modern French houses, reflecting the high culture of the period from which they sprang.



MODERN

The term "machines for living" is often applied to the flat-roofed, severely plain homes designated as "modern." Designed primarily for utility and convenience, they reflect the modern attitude in building. These homes are popular in France, Germany, and Holland, as well as in the United States.

- (f) If heavy-load equipment, such as stoves and hot water heaters, are planned, has allowance been made for heavy outlets?
- (g) Is the fuse box in an accessible, well-lighted place? Is the master switch convenient to the fuse box?

D. Construction

1. FOUNDATIONS.

- (a) Are they concrete or masonry?
- (b) Ample strong?
- (c) Weather proof?
- (d) Protected against underground water, if any?
- (e) High enough above ground to prevent earth touching woodwork—a vital protection against termites?
- (f) Are the unfinished portions of the basement "rat-proofed" ... covered with a thin coating of concrete?
- (g) Has all refuse been cleaned out, including wood chips, roots, brush, etc.?

2. ROOF.

- (a) Economical of space?
- (b) Fire resistant?
- (c) Insulated, or arranged to provide air space as protection against heat and cold?
- (d) Are joints properly "flushed" to prevent leakage?
- (e) Are gutters and rainpipes sound, and correctly arranged to carry off water without damaging walls or injuring flower beds?

3. MISCELLANEOUS.

- (a) Are floor and wall materials of suitable quality—for example, do they measure up to FHA requirements?
- (b) Is hardware of enduring quality to stand hard usage?
- (c) Are windows of ample size? FHA standard is a glass area equal to at least $\frac{1}{8}$ of floor space.
- (d) Are chimneys properly located and high enough to assure good draught? Are they reinforced to resist quakes?
- (e) Are fireplaces up to modern standard of scientific construction—assuring good draught, heat radiation, freedom from smoke? Are hearths of safe width (20" or more)?
- (f) Are stairs designed for comfortable use, as well as beauty?
- (g) Are walls and floors insulated? Important for heat economy, and also cooling economy where air conditioning is planned.

YOUR CHECK LIST

I. Decide What You Can Pay

A. How much cash can you put in?

1. Leave yourself enough of an emergency reserve for personal and family needs.
2. If you plan to build, also remember to leave yourself cash enough to meet the extra expense of home furnishing, landscaping, planting, etc., which falls mostly within the first few years of occupying your new home.

B. What monthly payment can you soundly afford?

1. FHA recommends loans calling for monthly payments that are not in excess of 20% to 25% of your income.
2. How long shall you allow yourself to clear your home? Consider:
 - (a) Your present age.
 - (b) Your present and probable future income.
 - (c) Your present and probable future monthly expenses (including such things as the increasing expense of growing children).

C. Consult the manager or loan officer of the nearest American Trust Company office.

He will gladly go over the figures with you, in the light of this bank's long home loan experience.

II. Pick Neighborhood

A. Does it appeal to you and your family?

More pages from the booklet referred to on the preceding page. Subject headings include "Hardware", "Air-Conditioning", "Final Plans and Specifications" and many others of benefit to home builders

MONTHLY PAYMENT LOANS	80% LOANS At Reduced Cost	90% LOANS To Encourage New Homes	80-90% LOANS Like 90% Loans
	To buy or build homes or multiple dwellings up to 4-family size. Up to 80% of appraised value of house and lot may be borrowed, provided the loan does not exceed \$4,000.	Available only on single-family, owner-occupied homes, either (1) built since Jan. 1, 1937 but never sold or occupied, or (2) to be built hereafter. Up to 90% of the appraised value may be borrowed, provided loan is not over \$4,000.	For new, single-family, owner-occupied homes, for which more than a \$5,400 loan is needed. Up to 90% may be borrowed on the first \$6,000 of appraised value, and up to 80% of the balance of the appraisal ... provided that total loan does not exceed \$8,000.

YEARS TO PAY	MONTHLY PAYMENT PER \$1,000	MONTHLY PAYMENT PER \$1,000	MONTHLY PAYMENT PER \$1,000
5 YEARS	\$19.28*	\$19.07*	\$19.28*
10 YEARS	\$11.01*	\$10.81*	\$11.01*
15 YEARS	\$8.12*	\$7.81*	\$8.12*
20 YEARS	\$7.01*	\$6.81*	\$7.01*

*NOTE: Monthly payments indicated on the tables above include principal, interest, and Government charges for mortgage insurance, but not city and county taxes and fire insurance. Taxes, of course, vary in different localities; and fire insurance on the property varies both with location and type of construction; but by adding approximately \$2.00 per month per \$1,000 of the loan to cover these two items, you should get a close estimate of your total monthly payment. Whenever this figure is higher than necessary to pay these items of taxes and fire insurance, the bank refunds the excess to the borrower.

Special Home Loans

In addition to FHA loans, American Trust Company offers other types of loans to meet special requirements. These provide an exceptional amount of flexibility. They are available on certain types of combination dwellings, and multiple dwellings for which FHA financing is not intended. The borrower is offered the following choice of repayment plans: (1) He may either clear up his loan in full over 10 years through uniform monthly installments.

RECORDAK

LEVELS OFF PEAK LOADS AND LIGHTENS HEAVY DAYS

IN thousands of banks, large and small, Recordak takes over the time-consuming routine that during peak loads or vacation periods formerly worked a hardship on the employees.

Recordak Systems are amazingly flexible—installed with such a generous allowance for increased volume that the staff handles heavy days, month-ends, and vacation periods with little extra effort and in far less time than other methods require.

Recordak Systems require no capital outlay; the machines are rented not sold. Recordak Systems are serviced from twelve conveniently located offices . . . one close to your bank. For further information regarding Recordak, write Recordak Corporation, Subsidiary of Eastman Kodak Company, 350 Madison Avenue, New York, N. Y.

Coming to the New York Fair?
You are cordially invited to make your New York headquarters at our offices, 350 Madison Avenue, at 45th Street.

RECORDAK PHOTOGRAPHIC ACCOUNTING SYSTEMS



Bank Model Recordak for speeding up the transit operations and for photographing paid checks for protection of banks and depositors.



Reversible Recordak photographs both sides of checks and larger bank forms at a single operation—and at lightning speed.



Recordak Junior for the smaller bank, and for special departments of large banks (tellers' cages, safe deposit vaults, trust and filing, etc.).



Commercial Recordak for photographing all bank forms. Widely used for the Recordak system of single posting and other specialized applications.

At the World's Fair

- See the "Hand of Comfort"
- See the "Wall of Protection"
- See the "Hall of Manufacturers"
- See the "White Room"



THE HAND OF COMFORT AND THE WALL OF PROTECTION

then you will see why Anthracite IS the fuel of tomorrow for the home of today

ONE of the most unique displays at The New York World's Fair is the Exhibit of Pennsylvania Anthracite in The Home Building Center. It is as modern as tomorrow and rightly so, for Anthracite is the most modern of all home heating fuels.

In this impressive Exhibit, new materials, new ways of lighting, of display—tell a most interesting and convincing story of Anthra-

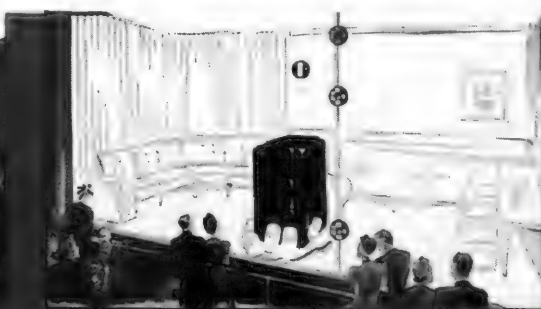
cite's 7 star advantages for home heating.

See why modern equipment more than ever makes Anthracite the safe, convenient, dependable fuel, with utmost economy, for the home of today or "the world of tomorrow." Anthracite Industries, Inc., Chrysler Building, New York, N. Y.

Save with
Pennsylvania ANTHRACITE
 (HARD COAL)
 THE ONLY 7 STAR FUEL



THE HALL OF MANUFACTURERS



THE WHITE ROOM

Institute Meets In Grand Rapids

1,500 A.I.B. Members at Big Convention

The American Institute of Banking's annual convention at Grand Rapids, June 5-9, brings together 1,500 bank people who will participate in a varied program of meetings and conferences.

Harry R. Smith, assistant vice-president of Bank of America, N. T. & S. A., San Francisco, and Vice-president of the Institute, is the only candidate for the presidency to succeed Milton F. Barlow, cashier, National Citizens Bank, Mankato, Minn. J. L. Dart, vice-president, Florida National Bank, Jacksonville, is the only candidate for Vice-president.

The five candidates for the Institute's Executive Council are: Garnett Carter, The Fulton National Bank, Atlanta; Frank E. Connelly, secretary, Monroe County Savings Bank, Rochester, N. Y.; J. H. Gormley, Seattle-First National Bank, Seattle; Edward F. Matthews, The First National Bank, Philadelphia; Elmer W. Pollock, cashier, The First National Bank and Trust Company, Tulsa.

This year's chapter debate, a convention feature, is on the subject "Resolved, that the Federal Government should own and operate all railroads engaged in interstate traffic." Four teams meet in the semi-final Monday afternoon, June 5. Los Angeles (affirmative) debates Houston, the winner taking the affirmative side in the final on June 6. St. Paul (affirmative) meets Essex County (New Jersey), in the other semi-final.

The 13th National Public Speaking Contest for the A. P. Giannini Educational Endowment Prizes, on the evening of June 5, is on "The Bank's Place in Meeting Today's Credit Needs." Alton P. Barr, First National Bank, Atlanta, is chairman of the Institute's national public speaking committee.



Milton F. Barlow, President, American Institute of Banking, 1938-39

'Paton's Digest' Being Revised

A revision of *Paton's Digest*, the first since 1926, is now in preparation at the American Bankers Association New York office.

The new *Digest* is expected to appear in three or four volumes, the first of which, it is hoped, will be ready by Aug. 1. The work, as most bankers know, is a compilation of opinions rendered by the Legal Department of the Association, Delos J. Needham, General Counsel, in answer to questions asked by members.

In this respect it is unique, for although there are many bank law digests, the others are based on court decisions. *Paton's* gives opinions on mooted questions of banking law that have never been passed on by the courts—opinions that are guided by the trend of court decisions.

The editor is Thomas B. Paton, Jr., Assistant General Counsel. DeWitte Wyckoff of the Legal Department, who was identified with the 1926 edition, is in immediate charge of the revision.

Southern Secretaries Organize

The organization of the Southern States Secretaries Association is announced by C. W. Beerbower, president of the State Secretaries Section of the Association and secretary of the Virginia Bankers Association. He said one of the objectives of the new group was "to avoid conflict in convention dates in the southern area."



J. W. Spangler, vice-president, Seattle First National Bank, is vice-chairman of the general committee for the A.B.A. Convention at Seattle

Seattle Program Plans Go Ahead

Special Train Tours Are Being Arranged

The program for the Seattle Convention of the American Bankers Association, Sept. 25-29, is now being developed, and five interesting days are assured all who attend.

The Seattle committees are working on the many arrangements that must be made in advance, while the general officers and the headquarters staff in New York are also contributing to the plans.

Meanwhile, several special train and tours schedules for Convention-bound bankers have been announced.

There will be, of course, the usual Fall tonic out of Chicago. From the Pennsylvania Railroad has come advance notice of a three-week tour.

The Indiana Bankers Association is sponsoring a Convention special from Indianapolis Sept. 20, going via Canada and returning via the southwest.

The Missouri and Kansas bankers associations, with those of several nearby states co-operating, are sponsoring their annual special train.

The route will be from St. Louis and Kansas City via the Missouri Pacific and Union Pacific, leaving Sept. 20.

Banker Concert

The Clearing House Member Bank Singers of New York hold their annual Spring concert at the Hotel Astor, New York, on June 7.

Graduate School Awaits Bankers

Large Class to Get Diplomas June 30

Approximately 650 bankers from all parts of the country will be in New Brunswick, N. J., June 19 to 30, for the fifth resident session of The Graduate School of Banking conducted by the American Bankers Association at Rutgers University.

More than 200 students are entering the School this year as members of the Class of 1941. The Class of 1939, to be graduated at the end of the session, has an enrollment of 176.

Plans are virtually completed for the commencement exercises on the evening of June 30.

The speaker is to be the Rt. Rev. James E. Freeman, Protestant Episcopal Bishop of Washington, D. C. Dr. Harold Stonier, director of the School, presides. Diplomas will be awarded by Lewis E. Pierson, chairman of the School's board of regents and honorary chairman, Irving Trust Company, New York City. The class will be presented formally to Mr. Pierson by Richard W. Hill, registrar of the School.

Oral examinations for prospective graduates who are candidates for the School's diploma will be conducted on June 17 by members of the faculty.

H. C. Sauvain Joins Faculty of G. S. B.

Dr. H. C. Sauvain, professor of finance and director of the Investment Research Bureau at Indiana University, will be an instructor in investments at The Graduate School of Banking. Director Stonier has announced.

Dr. Sauvain has had extensive experience as a teacher in his field. His work at the School will be in "Investments IV."

The new faculty member has appeared on several banking conference programs, including the A.B.A. Columbus meeting last February.

Finds 4 Factors Affect Banking

A.B.A. Commission Cites Broad Trends

Increased money supply, decreased business, fear of the future, and the magnification of government were cited by the Economic Policy Commission as the four factors "chiefly accountable for the difficult problems confronting the business of banking here and abroad," in its semi-annual report.

Leonard P. Ayres, vice-president, Cleveland Trust Company, is Commission chairman.

The report stated that conditions affecting American banking were prevalent in most countries.

"Customers of banks throughout the world are asking for fewer and smaller loans than they used to and they are unwilling to pay as much for the accommodation," it said.

"The progressive decreases in lending rates are the best evidence of the eagerness with which the bankers welcome borrowers, but the combination of shrinking volume of loans and falling rates charged for them shows all too clearly that borrowed funds are not worth as much to the business man as they used to be."

Asserting that the country did not need additional banking agencies, the report said banks were seeking new loans more persistently than ever and that "they are everywhere instituting new developments and modifying their lending methods and policies in order to attract new loans."

"Their eagerness to lend," it stated, "is the best guarantee that applications from small business will receive willing consideration and that decisions reached will be favorable if the conditions of the proposed loan make that possible."

Irwin Made Associate Educational Director

William A. Irwin has been named associate educational director of the American Institute of Banking. He formerly had the title of assistant educational director.

Mr. Irwin remains as assist-



SPRING MEETING

The photographer snapped these officers of the Association at The Homestead during the Spring Meeting of the Executive Council. Front row, left to right: Second Vice-president P. D. Houston; First Vice-president Robert M. Hanes; President Philip A. Benson. Back row, left to right: Senior Deputy Manager Frank W. Simmonds; Treasurer M. H. Malott; Executive Manager Harold Stonier.

Burglary, Holdup Decrease Reported

A reduction in the number of bank holdups and burglaries for the six months ended February 28, 1939, has been reported by the Protective Committee.

In this period there were 11 burglaries and 50 holdups against 14 burglaries and 63 holdups in the similar period of the previous year.

However, the losses resulting from these crimes were greater. The total for the 1939 six months' period was \$262,964 against \$170,726 in the same interval of 1938. Nearly 45 per cent of the larger amount, however, was taken in four messenger holdups in New England and the central states.

Investigations conducted by the A.B.A. protective agents were instrumental in the arrest of 73 of a total of 113 bank criminals apprehended during the six months under study, and 48 of these had already been convicted.

A.I.B. Membership Up

An increase to 65,232 bank employees enrolled in courses of study of the American Institute of Banking is reported by Milton F. Barlow, president of the Institute and cashier of the National Citizens Bank, Mankato, Minn. Mr. Barlow told the Executive Council this was the fifth consecutive year Institute membership and class enrollment had increased.

Benson, Hanes to Speak

An address before the American Institute of Banking convention at Grand Rapids, and talks before the Wisconsin and Michigan bankers associations later in the month are among the June speaking engagements of Philip A. Benson, President of the American Bankers Association.

Robert M. Hanes, First Vice-president, is scheduled to speak at the Georgia Bankers Association convention, and has a tentative engagement to address the District of Columbia bankers.

Trust Research Week in Lincoln, Omaha

A trust research week was conducted May 22-26 by the Lincoln and Omaha chapters, A.I.B.

Gain in Members Shown by A.B.A.

Total Rises to 13,657, Committee Reports

For the fifth consecutive year a net gain in membership in the American Bankers Association, to a total of 13,657 banks, was reported to the Executive Council.

The membership committee stated that 78.3 per cent of all the banks in the United States were represented by the Association. Robert L. Banks, vice-president and cashier, The Peoples Bank, Antigo, Wisc., chairman of the committee, said that as of March 31, 1939, out of 17,271 eligible institutions, 13,525 in continental United States were members. With 132 foreign banks this gave a total membership of 13,657, a net increase of 329 since last year.

"By far the greater number of new members have been the small banks with capital and surplus of under \$100,000," said Mr. Banks. "This is particularly pleasing to us because we are constantly endeavoring to make the Association one which serves the interests of the smaller banks no less than those of the larger ones."

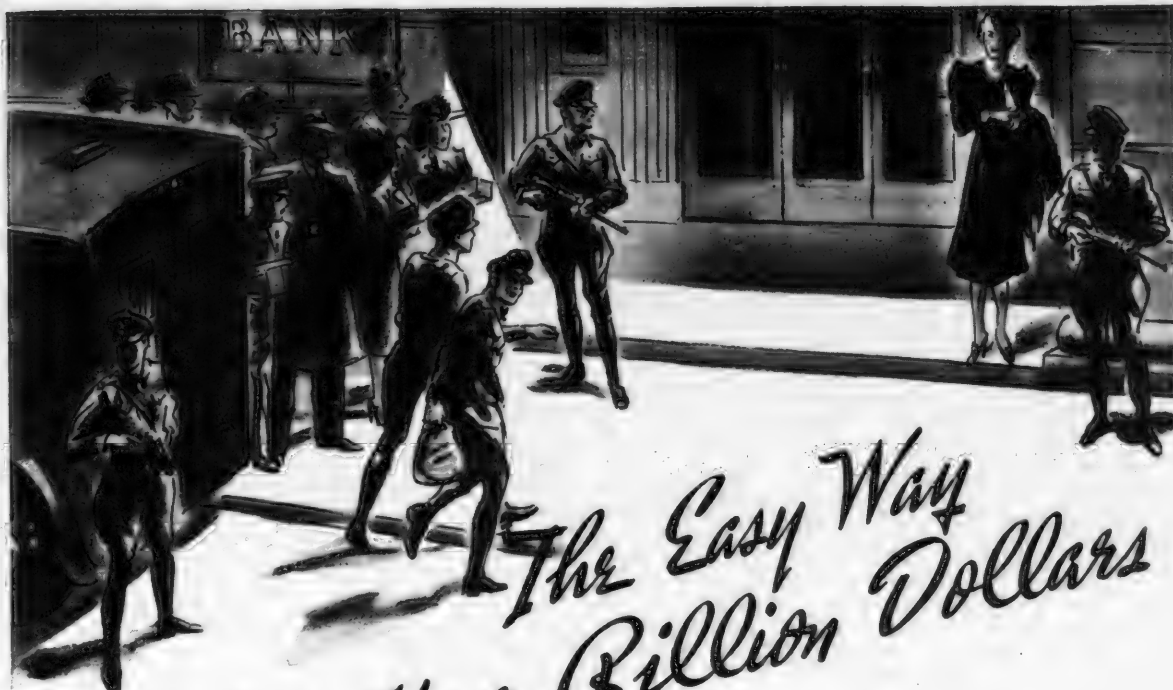
Arizona, Idaho, New Mexico, Oregon, Utah, Wyoming and the District of Columbia have 100 per cent membership.

Plan Trust Meetings at Los Angeles, Chicago

The Trust Division of the American Bankers Association will hold two regional conferences this year, according to announcement by Samuel C. Waugh, Division President and executive vice-president and trust officer of The First Trust Company of Lincoln, Nebraska.

The 17th Regional Trust Conference of the Pacific Coast and Rocky Mountain States takes place in Los Angeles, Sept. 19-20. Local arrangements are in charge of the Trust Officers Association of Southern California.

The Tenth Mid-Continent Trust Conference will be held in Chicago, Oct. 26-27, with the Corporate Fiduciaries Association of Chicago acting as host.



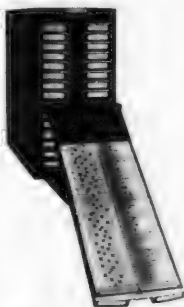
The Easy Way To Get Your Billion Dollars

YOU and your fellow bankers used to have this billion. But you don't any more. You've loaned it—through the Personal Loan Department, through F. H. A. loans, through auto and equipment loans. You've got to get your billion back.

And now—to your billion dollar business—comes the newest, surest, simplest, most widely applicable plan of controlling spaced collections that has ever been devised. The Kardex "Kolectrol" system is being used for ledgers of 50 accounts and 50,000.

You instantly spot delinquents under this plan. You are provided with the world's most economical means of follow-up. And along with lowered collection costs comes marked speeding up of your rate of turning capital.

The new 41-page Management Controller will give you all the facts of Kardex "Kolectrol." It will bring you complete details of the savings already found by other banks. The coupon will bring it to your desk. Mail the coupon today. There's no obligation.



Kardex "Kolectrol" combines all the advantages of visible record keeping with a new, easy plan of collection follow-up. It establishes positive control of every delinquent account.



REMINGTON RAND INC., DEPT. B-639, BUFFALO, N. Y.

Please send me absolutely free and without obligation full details about how KARD-EX KOLECTROL will amazingly cut loan department operating costs, virtually eliminate charge-offs and bring payments in when due.

NAME _____
BANK _____
STREET & NO. _____
CITY & STATE _____

Remington Rand Inc.

BUFFALO, NEW YORK
BRANCHES EVERYWHERE

Banks in Active Quest for Loans

Efforts to Lend Are Shown by New Study

Positive efforts to stimulate loans are being made by a large majority of American banks, says a study of banking lending activity, recently completed by Gurden Edwards, director of the A.B.A. Research Council.

The study, entitled "How Banks Lend", indicates that 86 out of every 100 banks are making such efforts, that 74 out of every 100 are advertising for loans, that 63 in every 100 are soliciting loans, and that 58 are offering lines of credit. However, only 31.5 per cent of these credit lines are being used by business firms.

The data were gathered through a questionnaire sent to banks representing a true cross section of the country's banking structure.

The study finds that commercial banks have "made liberal adaptations in their loaning methods and policies in order to meet the varied re-



Members of the A.B.A. New York staff have a look at the panels



EVERETT ACKERMAN

quirements of individuals and business concerns applying for credit", and that "the needs of small borrowers in the field of business and personal finance alike are being well taken care of by the commercial banks."

Replies received indicate that 20 out of every 100 banks are making term loans to the average number of 55 per bank, averaging \$1,343, excluding loans by several big-city banks.

"Small banks," the study reports, "are making capital loans in amounts commensurate with the needs of the small businessmen of their communities, while the big city banks are extending accommodation in substantial figures."

New Panels Display Work of A.B.A.; Shown at State Association Meetings

Panels displaying American Bankers Association activities were shown at three state banker association meetings in May and are scheduled for two others in June.

Designed by the Advertising Department at the direction of the Public Relations Council, the panels set forth the work of the A.B.A. in the service of American banking. The display was shown for the first time at the Spring Meeting of the Executive Council in Hot Springs, Va.

A member of the headquarters staff accompanied the

panels to the North Carolina, New Jersey and Pennsylvania state gatherings last month, and similar procedure will be followed for the Georgia and Connecticut banker conventions in June.

The display briefly calls attention to and describes the Association's varied services to its member banks in education, public relations, advertising, bank management problems, protection, insurance, research, legislation, and in the work of the four Divisions: State Bank, National Bank, Savings and Trust.

CONVENTIONS

American Bankers Association

- | | |
|-------------|--|
| June 5-9 | American Institute of Banking, Hotel Pantlind, Grand Rapids, Michigan |
| June 19-30 | The Graduate School of Banking, Rutgers University, New Brunswick, New Jersey |
| Sept. 19-20 | 17th Regional Trust Conference of the Pacific Coast and Rocky Mountain States, Los Angeles, California |
| Sept. 25-28 | Annual Convention, Olympic Hotel, Seattle, Washington |
| Oct. 26-27 | Tenth Mid-Continent Trust Conference, Chicago, Illinois |

State Associations

- | | |
|------------|--|
| June 2 | New Hampshire, Hotel Carpenter, Manchester |
| June 2-3 | South Dakota, St. Charles Hotel, Pierre |
| June 5-7 | Iowa, Hotel Fort Des Moines, Des Moines |
| June 7-8 | Georgia, Hotel De Soto, Savannah |
| June 7-8 | Wisconsin, Hotel Schroeder, Milwaukee |
| June 8-11 | District of Columbia, The Homestead, Hot Springs, Virginia |
| June 9-10 | Vermont, Woodstock Inn, Woodstock |
| June 9-10 | Wyoming, Casper |
| June 11-16 | Virginia Bankers Conference, University of Virginia, Charlottesville |
| June 12-13 | Oregon, Hotel Gearhart, Gearhart |
| June 14 | Connecticut, Shuttle Meadow Country Club, New Britain |
| June 14-16 | Minnesota, St. Paul Hotel, St. Paul |
| June 15-16 | Washington, Spokane |
| June 16-17 | Colorado, Hotel Colorado, Glenwood Springs |
| June 19-20 | Utah, Grand Canyon National Park |
| June 19-21 | Michigan, Statler Hotel, Detroit |
| June 23-24 | Montana, Yellowstone National Park |
| June 23-25 | Maine, Poland Spring House, Poland |
| June 26-27 | Idaho, Sun Valley |

- | | |
|------------|--|
| July 10-14 | North Carolina Bankers Conference, University of North Carolina, Chapel Hill |
| July 18-20 | Kentucky Bankers Conference, Lexington |
| Aug. 7-11 | Arkansas Bankers Seminar, University of Arkansas, Fayetteville |
| Aug. 14 | Tennessee Bankers Conference, University of Tennessee, Knoxville |

Other Organizations

- | | |
|------------------|--|
| June 5-6 | Business-Consumer Relations Conference, National Association of Better Business Bureaus, Buffalo, New York |
| June 12-14 | National Office Management Association, Hotel New Yorker, New York City |
| June 12-15 | National Association of Credit Men, Grand Rapids, Michigan |
| June 19, 20 & 22 | Banking and Financial Group Conferences, National Retail Credit Association, San Francisco, California |
| Aug. 21-Sept. 1 | Pacific Northwest Banking School, University of Washington, Seattle, Washington |
| Aug. 28-31 | 6th Annual Metal Mining Convention and Exposition of the American Mining Congress, Salt Lake City, Utah |
| Sept. 11-14 | Financial Advertisers Association, Toronto, Canada |
| Sept. 20-22 | National Association of Supervisors of State Banks, Salt Lake City, Utah |
| Sept. 25-27 | National Association of Bank Auditors and Controllers, Seattle, Washington |
| Sept. 25-28 | Association of Bank Women, Seattle, Washington |
| Oct. 9-11 | Morris Plan Bankers Association, Westchester Country Club, Rye, N. Y. |
| Oct. 9-13 | Investment Bankers Association, Del Monte, California |
| Oct. 23-28 | National Association of Real Estate Boards, Los Angeles, California |
| Oct. 25-27 | Savings Banks Association of the State of New York, The Homestead, Hot Springs, Virginia |

MEMO TO BANKERS

Here's how your customers can attract more business.

P.S. And it pays to keep cool in banks, too!

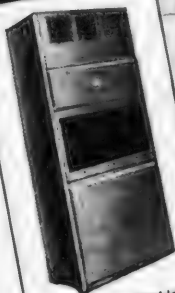
It Pays to Keep Cool with FRIGIDAIRE UNIT CONDITIONERS

Built and Backed by
GENERAL
MOTORS



AIR CONDITIONED
by
FRIGIDAIRE

THE PROFIT
SIGN
FOR '39



New
Self-Contained Frigidaire
Unit Air Conditioner

FRIGIDAIRE
AIR CONDITIONING EQUIPMENT
Made Only by General Motors

Certified Capacity Ratings

PROVE OUTSTANDING ABILITY OF
THESE AIR CONDITIONERS!

In air conditioning, let *Certified Capacity Ratings* be your guide! *Certified Capacity Ratings* give *proof* of a unit air conditioner's ability and are definite information on its operating expense. Frigidaire Unit Air Conditioners are covered by *Certified Capacity Ratings* conforming with standards established by the American Society of Refrigerating Engineers!

They Come in Sizes to Suit Your Needs

You can solve your air conditioning problem *quickly* and *economically* with Frigidaire Unit Conditioners. These Conditioners come in many sizes and types and may be used singly or in multiple. They may be concealed in closets, placed in the basement, be concealed from the ceiling, or installed within the space to be air conditioned. The handsome cabinets of the self-contained models are designed to harmonize perfectly with any style of interior.

They Improve Your Premises Summer and Winter

In warm weather the Frigidaire Unit Air Conditioners attract customers to your premises by cooling, dehumidifying and circulating cleaned air. In cold weather, heat can be supplied through the Conditioners by adding a simple coil and connecting it to the heating plant. In addition, the Conditioners free the air of much dust and dirt and prevent air stratification year 'round.

The Conditioners are quickly installed. In case of remodeling, or a move, they are easily disconnected and re-installed in a new location.

May Be Paid For in Easy Installments

Frigidaire Unit Conditioners are surprisingly low in price and can be paid for in easy monthly payments. Call in your nearest Frigidaire dealer for full particulars, or mail coupon for complete information.

Consult Classified Telephone Directory
for Address of Nearest Delco-Frigidaire Dealer

Frigidaire Air Conditioning Division
General Motors Sales Corporation
Dayton, Ohio—B-6
☐ Please send a representative.
☐ Please send complete information about
Frigidaire Unit Air Conditioners.

Name.....
Address.....
City..... State.....

BANKS—Mail this
coupon for further information

Books for Bankers

Bond Investments

ALTHOUGH nearly every banking conference hears a speaker or two stress the importance of the bank investment problem, and numerous pamphlet studies of it are available, few books have been written on the subject. Hence increments to the small, select list of titles in this department of banking literature are something of an event.

Bankers' Handbook of Bond Investment by James W. Wooster, Jr. (Harper, \$3) adds to the bibliography a useable, competent volume of practical analysis, approach and advice. Mr. Wooster's qualifications include an association of some years with Moody's Investors Service and—more recently—with Lazard Freres in that firm's investment department.

Written with the two-fold purpose of presenting commercial banking's investment problems and the methods of handling them in the individual bank, the book emphasizes the establishment of basically sound policies and their practical, efficient execution. Mr. Wooster goes through the various steps in setting up a program, discusses quality, maturity, diversification and marketability and the relationship of earnings to investment policy, and devotes ample space to the selection of securities. Sources of investment information and advice are also covered, and there is a careful statement of the purpose of the bond account.

"Free Riding"

Speaking of bonds, there's S. F. Porter's *How to Make Money in Government Bonds* (Harper, \$3). The author's first name, it seems, is Sylvia, and she's financial columnist of the *New York Post*. Her book, as must have been suspected from the title, has quite a bit to say about "free riding"—how to ride and the extent to which rides are or have been taken. It is also the story of the "Government" market's creation and growth in the last few years, the factors that affect it, control, and numerous other aspects of public finance on a gigantic scale. Miss Porter concludes that this market, easily understood, simple in structure and with no official margin requirements, is made to order for the trader of medium income, and that some growth is still ahead of it.

City Realty

Written both as a textbook and "a guide to practical men of affairs", *Principles of Urban Real Estate* (Ronald Press, \$4) is the work of two authorities, Arthur M. Weimer, professor of real estate and land economics, Indiana University, and Homer Hoyt, principal housing economist, FHA. Two sets of factors are considered in some detail: location factors (a municipality's economic background, its neighborhoods and districts), and market factors, including competition. Attention is also paid to appraisal methods, financing, management, subdivision, and other pertinent matters.

Currency

Milton Gilbert's *Currency Depreciation* (University of Pennsylvania Press, \$2) shows the causes and effects of depreciation in Australia, Great Britain, Sweden and the United States, as types of experience. Giving considerable attention to the dollar, Mr. Gilbert concludes that probably

our recovery "would have been more substantial without depreciation even though the price rises during the first few months of depreciation may have been less spectacular." The international guide to exchange policy, he says, must be "the condition of balance of payments" and the authorities should seek to maintain an equilibrium therein. Large industrial countries shouldn't be too hasty in appreciating or depreciating; they should be sure a fundamental disequilibrium in payments exists before they act.

Taxes and Investment

The press recently gave prominence to a Brookings study by Dr. James D. Magee of New York University, making numerous recommendations for tax structure modifications in the interests of stimulating capital expansion. This report, part of a comprehensive research project being carried on by the Institution, now appears in preprint form under the title *Taxation and Capital Investment* (Brookings Institution, Washington, D. C., 50 cents). Professor Magee proposes, among other things, elimination of the capital stock and excess profits taxes, repeal of the undistributed profits levy, reduction of the social security taxes and financing of old age annuities on a pay-as-you-go basis, substantial surtax cuts in the upper brackets, deductions for capital losses if capital gains continue taxed, and elimination of the normal income tax on corporation dividends.

A Variety of Subjects

The National Economy League's pamphlet entitled *How to Balance the Federal Budget* advocates, in part, reducing the budget to 7-7½ billions for the next fiscal year, holding next year's deficit to 600 million by imposing additional taxes, and working toward a budget of around \$6,400,000,000. The booklet analyzes Federal deficit spending.

The Tax Research Institute of America, Inc., issues a 1,000-page loose-leaf handbook *Adjusting Your Business to the New Legislation* (\$12.85). The volume explains such "business control" laws as the Wage-Hour, Labor Relations, Pure Food and Drug, Federal Trade Commission and Robinson-Patman acts, and other regulatory measures. The text makes specific recommendations on the steps that should be taken to comply most conveniently and economically with each law. A chart of business practices shows which are permissible and which illegal, with references to the law governing each.

An Approach to a Price Theory for a Changing Economy by Moses Abramovitz (Columbia University Press, \$2.50) considers whether the relations between price and cost which would obtain in an unchanging economy can validly be used to describe market tendencies in a changing economy. The book is, "an essay in the 'pure' theory of 'pure' competition."

The Machinery and Allied Products Institute, of Chicago, publishes *Capital Goods and the American Enterprise System*, a statement of economic and social principles underlying the interrelationships of the capital goods industries and that system. The way to recovery lies in supplying the "greatest deficiency in capital facilities" the country has ever known.

Fifteen authors contribute to *Tax Exemptions*, a symposium conducted by the Tax Policy League, Inc., of New York, which publishes the volume. Numerous aspects of the subject are considered.



"Fix me up on this list, please *I'm wiring the house myself*"

CUSTOMERS like this make many interesting discoveries about electricity which keep your fuse department busy and the Fire Department on the run. They pay no attention to local laws or the provisions of insurance policies—and they and their families live in cheerful ignorance of the imminent danger of fire and sudden death. Their amateur wiring in the bathroom makes the tub a potential electric chair. But they certainly do eliminate the middleman in the electrical field—as far as possible. Fortunately, intelligent advertising, education via safety campaigns, and good common sense have made most people realize that the proper wiring of even a modest home is a job for the skilled electrical contractor. And when they pay his bill, they know it is a long range guarantee of economy, reliability, and safety.

When the electrical contractor buys

insurance from the experienced agent or broker of a stock insurance company, he does not say " \$50 worth of insurance, please." He asks for and gets the advice and full services of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

* * *

Because we believe so thoroughly in the services of an expert middleman whether wholesaler, electrical contractor, insurance agent or broker, we refuse to accept business direct because it is not in the interest of the Company or the assured to do so. When *you* buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent or broker, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the electrical field in your city.

The commercial bank, like the electrical contractor, is a middleman. Its customers and its directors are chiefly independent business men—representative of the American Business System.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

METHODS and IDEAS

This department of **BANKING** is conducted by our **Methods and Ideas** reporter, John J. McCann

Junior Aeronautics

(see cut, page 59)

YOUNG PILOTS out in Duluth, Minnesota, will get the first real thrill of their chosen hobby in a model airplane meet to be sponsored this month at the local airport by the Bank of Commerce & Savings, Inc. This project is unique in many respects—chiefly in the unusual sense of child psychology exercised by the bank in arranging the event.

First, several youngsters were called in to form a committee and assist in laying plans and schedules. Next—a touch of officiality—the National Rules for Model Aircraft (published by the National Aeronautic Association, Dupont Circle, Washington, D. C.) were adopted, and these are more or less familiar to all youngsters interested in the subject.

For dramatic announcement the bank used generous newspaper space and printed typical "race-meet" handbills, which were mailed in quantities to schools, scout leaders and distributed by youngsters to neighborhood friends. The bank has set only one requirement for entry—each youngster must visit the bank for registration. There he is duly enrolled in the bank's Airplane Club



TRAVELING? (Page 60)

Travelers' check promotion idea of the National City Bank of New York

and receives a badge of membership.

The program (incidentally, donated by a local oil company) lists three main events divided in groups for children under 16 and up to 21. A special luncheon will be held later for the winners by the Arrowhead Civic Club. Models will be displayed and 29 awards, including trophies, gas motors, motor kits and accessories, will be distributed by President Jay E. Markle.

Photo Service

THE LIBERTY NATIONAL BANK OF OKLAHOMA CITY invites customers to

solve their record storing problem by Recordak photography—a 98 per cent space saver. The folder announcing this new service quotes a minimum \$1 fee for photographing 1,000 cancelled checks or 400 items of letter size; \$2.50 for 1,000 items up to letter size—photographed, developed and delivered in individual container; \$3.50 per 1,000 items legal size. The customer or his agent may use the Recordak by appointment, or have the work handled by the bank's own operator. The reading machine is available for customer use and facsimile enlargements may be ordered inexpensively through the bank. This service is promoted with a view to persuading customers later to store finished film records in a safe deposit box. This is a natural tie-in since 3,000 letter size, or 2,000 legal size forms may be filmed on a single roll, which occupies little more space than a package or two of cigarettes.

CAMERA CLUB (Page 63)

Below, in the darkroom of the Camera Club in the basement of the Dime Savings Bank, Brooklyn, N. Y.



Taxes Tabled

A FOLDER "How Your Estate Will Be Distributed if you Leave no Will" published by the Mississippi Valley Trust Company, St. Louis, contains pertinent data based on Federal and State tax laws. This information is briefed and much of it appears in table form for ready reference. Estate, gift and inheritance taxes on varying estate volumes are tabled. A chart shows distribution of personal property and real estate under various circumstances

(CONTINUED ON PAGE 58)

FROM THIS TO THIS in 50 years!

Too OFTEN we think of "progress" in the past tense. The fact is, of course, progress is a continuing process.

Thus, the new COMPTOMETER BANK PROOF UNIT represents the very latest in the handling of "bulk figure work" found in the Proof and Bookkeeping Departments.

Fifty years from now this new Comptometer unit, *built especially for banking use*, will be outmoded—but TODAY it offers bankers a *new way to figure-work ECONOMY!*

The substantial savings made possible by this new Comptometer unit, and by Comptometer methods, are a product of three primary factors:

- ★ **GREATER SPEED**—and a consequent saving of time
- ★ **SIMPLIFIED ROUTINE**—and the elimination of costly "waste motion"
- ★ **COMPELLED OPERATING ACCURACY***

This "Comptometer economy" applies to both "proving deposits at the source," and to bookkeeping.

In the bookkeeping department, the Comptometer proof plan proves the accuracy of each individual posting—spots errors at the point of error, so that it is not necessary to complete the whole posting procedure before determining whether accounts balance. It proves that the correct accounts were handled; that old balances were picked up accurately; and that individual debits and credits were posted to the correct accounts.

May our local representative acquaint you *fully* with this newest development in handling bank figure work? Telephone your Comptometer office . . . or write direct to Felt & Tarrant Mfg. Co., 1711 N. Paulina St., Chicago, Ill.

*COMPTOMETER ACCURACY is literally compelled by the Controlled-Key (which checks fumbled or incomplete key strokes) and by other exclusive Comptometer accuracy safeguards.



COMPTOMETER

**BANK
PROOF
UNIT**



Edison salutes the Office Manager

Recognize the office manager for his achievements. Reward him for his loyalty. He does a grand job. He is the originator of efficiencies and the wall shutting off a thousand petty annoyances! With the ever-increasing complexities of business, he becomes even more the key to progressive management.

He it was who first persuaded the head man to buy a typewriter over protests that it was just a rattletrap contraption. And as for having a young woman operate it, they said her place was in the home! He it was who pointed out that the telephone was modern and not just new-fangled. He cured the bookkeeper of writer's

cramp—introduced the adding machine. Yes, and it was he who brought Ediphone Voice Writing into business use, freeing dictator and secretary from the chains of the old dictation methods.

The office manager is the man in the middle. He gets problems from above and below—and solves them all. The Laboratories of Thomas A. Edison, Inc., where Ediphone Voice Writing was invented, are grateful to the often under-appreciated office manager for his invaluable aid to the entire office equipment industry.

Phone the Ediphone (your city) or write to Dept. K6, Thomas A. Edison, Inc., West Orange, N. J. In Canada, Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.

SAY IT TO THE

Ediphone

EDISON VOICEWRITER



METHODS—Continued

of survivorship. The folder is used as a supplement to the bank's master trust booklet. In physical make-up and contents, it is an ideal companion piece.

How to Qualify

IN ITS LIGHTER MOMENTS the public enjoys the satirist who pokes fun at the qualifications set for bank loans. Right-eye security is an old gag which still crops up. On the other hand, if our observations are correct, the public appreciates sound restrictions and good management and it wants specific suggestions to acquiring loan qualifications which it might not otherwise have. This is the idea expressed by the First National Trust & Savings Bank of San Diego, California. Loan copy is all built around the theme—"Are You a 3-Star Citizen?" The stars represent good reputation, steady income and good credit record—worthy objectives for which all might aspire.

Personal Touch

TRUST COMPANY OF GEORGIA claims a record pull of requests for its booklet, *Your Plan and Your Estate*, offered in personal letters signed by the president or any officer personally acquainted with the prospect. This method drives the stake of personal interest deep on both ends. Checked reactions and results show it to be much more effective than the ordinary run-of-the-mill circular letter mechanically signed. The letters are all cordial and place interest on the booklet and its possible help to the prospect. A reply-card enclosure elaborates on the contents, which are 10 timely chapters which blanket every situation of will-making and trusteeship. The books are delivered personally where possible to get the benefit of personal interviews. Otherwise they are sent via post, with a personal follow-up at an early date.

Shark Skin

With forceful directness, the Morris Plan Savings Bank of Jacksonville swings the cudgel in behalf of loan shark victims in an ad series addressed to the convened legislature and public at large. Characterizing loan sharks and their methods as homo-slot-machines, the series empties both barrels in an appeal to follow the lead of Georgia and Tennessee in pegging money rates at a humanitarian maximum. The classic use of the King's

English, wisecracks and homespun philosophy have accorded this one-institution campaign widespread attention in the state's capital, where a strong lobby works for a status quo. Admitting it has no ax to grind for its own operations, the bank grinds one anyway for the good of the public and the service of lending in general, on the belief that 6 per cent to 10 per cent is enough for any man to pay. In one ad the bank states that it is no wonder Florida crackers are poor with interest rates as high as 240 per cent. In another there is an appeal for immediate action, concluding: "At any rate, with a restraining statute in Florida's code, you and we have done our part. Politicians and bankers, sweet persimmons both, can do no more."

Anniversary Tie-Up

FOR ITS EIGHTIETH BIRTHDAY, the Union Dime Savings Bank, New York, invited undergraduates of the School of Architecture and Allied Arts, New York University, to compete in a contest of designing posters to commemorate the event. Talent was unrestricted, so students splashed on color for historical, symbolical, decorative—even abstract—designs, with the hope of winning attractive cash awards and also gaining school credits allowed for entries. All posters of grade mention by architectural students received five points, and the equivalent of two weeks' work was allowed for all candidates for the Bachelor of Fine Arts degree. President William L. DeBost made the cash awards after a jury of topnotch critics made their selections from the gallery

JUNIOR AERONAUTICS (Page 56)

Announcement of the model airplane contest sponsored by the Bank of Commerce & Savings of Duluth, Minnesota



of entries lining the bank's lobby. This event obviously was profitable all around.

Premium Financing

THE NATIONAL BANK OF COMMERCE in New Orleans offers a loan plan to finance premiums on policies of approved companies which abide by the "short rate" table issued by the Louisiana Rating and Fire Prevention Bureau. No endorsers, collateral or special credit qualifications are required. The bank's security is the right to cancel the policy, if the loan is unpaid, and collect

the unearned premium. Basic sales points are directed to fire, casualty and other types of property insurance purchasers, who may effect substantial net savings by buying longer term insurance with the aid of a bank loan. The rate of 6 per cent simple interest on reducing balances applies, with a \$3 minimum for any loan. Amounts in excess of \$1,000 receive special rate concessions depending upon amount, term and manner of repayment. The financing of one-year premiums is handled in this manner: 20 per cent to 30 per cent down or in 20 days, balance repaid in 8 monthly instalments at 6 per cent

1863



1939

Investment Bonds

Our Bond Department buys for its own account and recommends for investment State, County and Municipal bonds.

It also maintains an active market in all issues of United States securities.

The experience of seventy-five years and immediate contact with principal cities makes this bond service particularly valuable to banks.

Inquiries by telephone, wire or mail are invited and quotation sheets will be mailed on request.

Telephone FRAnklin 6800

Teletype CGO - - 987

The First National Bank of Chicago

simple interest, \$3 minimum. If financing is required for insurance on mortgaged property, the bank insists that the mortgagee be notified of the loan. Complete information and application blanks are distributed to all agents and companies in the bank's immediate area. Prospects are invited to consult their own agent or call at the bank. Agents are cooperative, as this plan opens broader sales opportunities.

Emergency Record

THE IRVINGTON NATIONAL BANK (Irvington, N. J.) has just issued a

practical little folder—"To My Next of Kin"—an emergency record of important information. Styled simply, the inside two pages explain in a single paragraph that facts outlined therein are to be a guide in the event of death. The information which follows, so it explains, expresses the undersigned's preferences on certain subjects which, unless changed by unforeseen circumstance, he wishes to have carried out. Then follows a list of items with space for fill-in. Among them are: location of will, lawyer's name, banks, insurance advisor, clubs and other affiliations, choice of funeral director, cemetery, recommendation of

person or persons for settling affairs, and additional remarks. Inserted among these captions is a suggestion which reads: "My bank books, insurance policies and other important papers are in my safe deposit box at the Irvington National Bank."

Traveling?

(see cut, page 56)

PROMOTION PIECE for National City Bank Travelers' Checks this year again makes use of die-cut folders. As an attention-getter for those expecting to fare forth in coming months, this folder represents a miniature piece of airplane luggage—complete even to the colorful travel stickers. Copy on both front and rear covers states: "Include N. C. B. Travelers' Checks"—and this appears to be part of the sticker decoration, although emphasized more than the rest. Details are covered on the inside four pages.

That's a Lot of Calls

TIME MARCHES ON . . . with a plug for the Montclair Trust Company (N. J.) whenever local residents dial the newly installed Audicron Service at the bank. This time-telling robot, a fast growing advertising medium, is featured in more than 40 cities by national companies. The Montclair Trust is, however, only the fourth financial institution to sponsor it, and the first within the metropolitan area of New York City. The astounding fact about the service is that total calls exceed one-half million daily. The service is provided on a royalty basis, at so much per call. Curious callers, always numerous the first week after installation, gradually level off and then a steady increase is noted as the community becomes familiar with this unique convenience.

American Background

(see cut, page 63)

Few subjects are more fascinating than antiques to the New Englander with a sense of pride in his heritage. So it is no wonder that the series of advertisements illustrating the story of antiques of the colonial period, run by the Home Savings Bank in the Boston *Shopping News*, attracted such wide comment. The bank has now prepared miniature reprints of the series in booklet form for distribution. Copies are available on request. Aside from being an interesting idea applicable to other sections, with some slight modifica-

In Close Contact with America's Banks and American Business

Correspondents in all states of the Union and direct contacts with all lines of business, in every section of the country, make the Continental Illinois an outstanding correspondent connection.

**CONTINENTAL ILLINOIS
NATIONAL BANK
AND TRUST COMPANY
OF CHICAGO**

Member Federal Deposit Insurance Corporation

tion, there is also a lot of enjoyment in this booklet for the dyed-in-the-wool connoisseur.

No Punch Pulling

ADVERTISING GUNS are leveled on behalf of conscientious selling in the present loan drive of the First National Bank & Trust Company of Minneapolis. Always a firm believer in calling a spade a spade, the bank in its latest ads minces no words. Example: One headline asks, "Are You Afraid to Borrow Money?" A rhetorical question. Human nature being what it is, some folks get the horrors at the thought of borrowing money. Such resistance, caused by prejudice or superstition, will give way to direct, simple logic. Another in the series cautions the delinquent bill-payer that his standing is jeopardized in the Yellow Book (Minneapolis Credit Guide), and offers to solve his problem by personal loan. Matter-of-fact ads such as these have great force—proved in business increases.

Retirement Plan

THE MUTUAL BANK AND TRUST COMPANY of St. Louis, Missouri, has inaugurated a new type of employee retirement plan, whereby each officer and employee creates a separate living trust in the bank's trust department with 4 per cent of his salary and a like amount set aside by the bank.

All funds are invested by the department in high-grade bonds and mortgages, and the combined fund, with accumulated earnings, will be used to

CHEESE ANNIVERSARY

Below, exhibit in the lobby of the First National Bank of Oshkosh commemorating Wisconsin's 75th year of cheese making



purchase an annuity from an insurance company for the retiring employee—at age 65 for men, 60 for women.

The plan differs from the usual retirement program in that principal payments are left in charge of the trust department and the annuity when needed is purchased from an insurance company. No employee is permitted to borrow or assign any part of his funds.

In the case of death, discharge or voluntary resignation, the employee receives the amount actually contributed by himself to the fund, plus 3 per cent interest compounded quarterly. The bank's share serves as a 100 per cent

guarantee fund that such rebates can always be made when required.

Bank of Tomorrow

THE WORLD'S FAIR OFFICE of the Manufacturers Trust Company (New York) makes a bold bid as a foreshadowing of future banking structures. In complete harmony with other buildings in this gigantic exposition, this structure also boasts many interior innovations. The main banking floor is circular in shape with a 60-foot diameter. The entire room and its appointments have what architects call



Curing Sick Sales

THE merchant knows that broken plate glass means broken trade. Bind up his display with a bandage of boards and you check the flow of customers—cutting a deep gash into sales.

For this emergency case of *sales sickness* a glazier is the only doctor. A quick diagnosis. An operation to remove broken pieces. A few expert strokes with the cutter. Next, fitting. Then remove the bandage and find the wound well—sales healed and healthy again.

Plate Glass Insurance is the merchant's best medicine for sales sickness. When glass breaks, he has only to telephone his insurance agent. Replacement service at ambulance speed is his without trouble, worry, expense.

PREVENT-
DO NOT
LAMENT
LOSS!

AMERICAN SURETY
COMPANY
NEW YORK CASUALTY
COMPANY

HOME OFFICES: NEW YORK

Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

"rhythm"—no sharp corners, pillars or other obstructions, everything pleasingly streamlined. To one side is a comfortably furnished reception space for customers, set before a large window overlooking a landscaped garden. Beyond is a paved terrace fitted with seats. Walls are predominantly white. There are aquamarine ceilings, green floors and harmonizing draperies. Groupings of enormous tropical plants touch off the modern treatment. Lighting is diffused and the entire building is air-conditioned. Interesting murals, depicting the story of money as represented

by gold hang over the main entrance. The same theme is carried on the main banking room mural, which shows the evolution of money as a medium of exchange. Appropriately enough, part of the Chase National Bank's famous coin collection is displayed in the visitor's lobby as well as other materials and curios contributed by banks. The fair visitor has a sight to see here.

Camera Contest

IT MATTERS NOT TUPPENCE whether you be a supervisor with a super-special,

double-action, swivel-necked candid camera, or an office boy equipped with a No. 2 Brownie with leaky bellows—it's the picture that counts, not social position. So runs the chipper announcement of the Royal Bank 1939 contest broadcast to every employee in Dominion and overseas branches. This annual affair brings in thousands of entries for the two cash awards: \$5 first prize, \$3 second. Which reminds us that the true fan gets more satisfaction out of having his sterling qualities as a picture-taker recognized than he does out of handsome cash awards. Royal Bank sponsors the contest for the fun of it and employees join in wholeheartedly.

FHA Accounting Plan

IN OUTLINING AN ACCOUNTING SYSTEM on FHA mortgages which has worked out extremely well for the Baldwin National Bank and Trust Company (Baldwin, New York), vice-president Don D. Lovelace stresses these points as being essential to good management: (1) The system must provide the mortgagor with a complete record of all payments received from him and of all payments made for his account by the mortgagee. (2) It must provide a correct daily balance of the originating institution's own records and (3) supply records which will be sufficiently comprehensive and accurate to satisfy any other institution to which the mortgage may be assigned. (4) It must give a true account of funds being accumulated for future payment of taxes, hazard and mortgage insurance premiums.

Finding trouble with the hand-entry system of posting, this bank had a special posting machine built for its requirements as outlined above. Briefly, this is the procedure followed: Upon approval of a mortgage application, the bank makes up a mortgagor's payment record book and a 3 x 5 inch card bearing the name and address of the borrower, FHA loan number, and name of assignee, if any. This card also provides columns for aggregate monthly payments and their apportionment to interest, principal, taxes, insurance and service charge over a 12-month period. Cards are held in alphabetical file by the mortgage teller. All payments received at the window or through mail are handled by this one man. Posting is done by hand for all payments recorded on the cards. After each transaction they are sent to the FHA mortgage department and serve, like deposit slips, as the ledger posting medium.



ESTABLISHED MARCH 24, 1933

☆

RESOURCES EXCEED

\$400,000,000

☆

NATIONAL BANK

OF DETROIT

DETROIT, MICHIGAN

Member Federal Deposit Insurance Corporation



THE SERVICE CONCEPTION which has actuated this organization since establishment is that of providing the capital needs of worthy public and private borrowers, on the one hand, and safeguarding principal and income to conservative lenders, on the other.

CHICAGO, 201 SO. LA SALLE STREET • NEW YORK, 35 WALL STREET
AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. Inc.

Here the special ledger machine plays an important part. Each account has a sheet to fit the 18 inch carriage ledger. It contains the necessary basic information on the property, mortgage and borrower. Columns for posting are divided in this manner: Date and amount due, date and amount paid, delinquent amount, payment number, mortgage insurance (amount and balance), hazard insurance (same), service charge, interest, miscellaneous (fines for delinquency, etc.), principal (payment and balance), and escrow balance.

All transactions are recorded in one posting. From the teller's card the clerk posts the gross amount paid, with date, and compares that with the amount due. The amortization schedule furnished by the FHA gives the payment number. Breakdown of entries is also found on the card. While posting the several entries, the operator picks up the old balances, non-print. A proof cross-footer in the machine automatically proves all debits, credits, and old balance pick-ups and prints in the last column a .00 proof.

Thus accuracy is verified. Should the final printed proof total more than .00, the operator recognizes the mistake immediately and reposts.

As each posting is made, a carbon copy is printed on the daily journal sheet, upon which the name of the mortgagor is typed. The bank can therefore

check at the end of the day all totals automatically accumulated in the machine. Without further computation or proof, bank position is revealed in all items involved. Actual time tests show that posting by machine can be done in one-third the time required by hand.

To facilitate the forwarding of payments on principal and interest and accurate records to assignees, the bank files ledger sheets by assignee institutions alphabetically. In most cases such payments are made on a monthly basis.

This whole system is considered a

time-saver and one which efficiently handles the problems involved in the accounting of FHA mortgages.

Camera Club

(see cut, page 56)

NEWEST UNIT of the Dime Club, employee organization of the Dime Savings Bank of Brooklyn, is the Camera Club—a group formed recently to advance the study and practice of this universal hobby of amateur photography. Club headquarters in the bank cellar include a large meeting room and studio and two darkrooms equipped by

The EARNING POWER of BANKS

One of the chief factors in a bank's earning power today is the management of its investment portfolio. With the decline in commercial loans that has taken place in the last decade, and the corresponding increase in investment holdings, the securities portfolio in many instances has become the major source of bank income.

In the solution of their investment problems, numerous banks throughout the country are utilizing the comprehensive investment advisory service provided by Manufacturers Trust Company. This service takes the form of weekly and monthly reviews of the investment market, corporate analyses, detailed periodic analysis of individual bank portfolios on request, and advice on specific investment problems.

Financial institutions throughout the United States are cordially invited to avail themselves of our broad facilities for investment advice.

MANUFACTURERS TRUST COMPANY

Investment Advisory Division

55 BROAD STREET, NEW YORK

AMERICAN BACKGROUND (Page 60)

One New England antique discussed by the Home Savings Bank in Boston



The Writing Windsor
of Thomas Jefferson

The Windsor chair is of English origin, introduced into this country about 1723. One adaptation by American craftsmen was the writing Windsor. The sketch above is the writing Windsor of Thomas Jefferson in which he wrote the first draft of the Declaration of Independence. Note the broad right arm. The seat is revolving.

Your declaration of independence from want and worry should be expressed by a bank book. With a growing savings account in back of you, you are ready for either emergency or opportunity

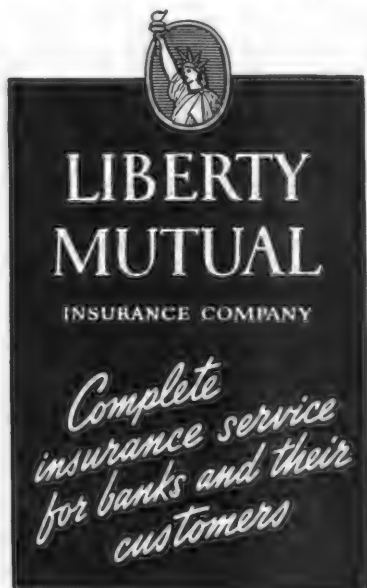
"There's a reason for the QUALITY OF SERVICE which you give,"

says this bank officer

"EXPERIENCE has taught us the value of dealing with a company which was organized by and for insurance buyers. Your representatives are trained to study insurance problems from our point of view. Also we know we can count on you for prompt investigation and fair payment of all claims. You have helped us to obtain greater insurance protection at no extra cost. By placing all our insurance with one company and dealing direct with you, we have eliminated useless red tape and of course we have shared in the cash savings from dividends which you have paid regularly every year. We heartily endorse your complete insurance service for banks. We also tell our customers about the security and economy of Liberty Mutual insurance. In these days of mounting overhead costs, they especially appreciate the money savings which you offer."

★
LIBERTY MUTUAL writes Bankers Blanket, Fidelity and Forgery Bonds; also Blanket Public Liability Policies for Banks, Workmen's Compensation, General Liability, Burglary, Robbery, Plate Glass, Automobile and Personal Accident Insurance. All forms of Fire Insurance are written through UNITED MUTUAL FIRE INSURANCE COMPANY.

Home Office: 175 Berkeley Street, Boston, Mass.
77 branch offices in principal cities from coast to coast



the bank with sinks, benches, running water and storage facilities. Other equipment such as trays, developing tanks, safelights, is being furnished by the club out of modest initiation fees and annual dues.

Two groups of members are working at present on movie and still projects. The movie group is preparing a film, "Making of a Picture", which will show the various steps of taking and developing amateur snapshots. Later this group will undertake a feature-length production on banking operations to be used for interdepartmental instruction and circulation among schools and local civic groups. "Still" photographers turn their efforts to salon prints and helping beginners perfect camera techniques.

This club is one of the many social activities encouraged by the bank and is fast proving its value to members and non-members alike. Arrangements have been made by the club's president, Robert Aldrich, to process vacation films for the entire bank staff.

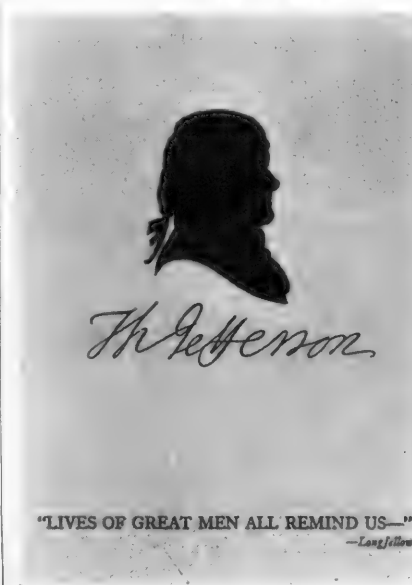
News-Advertisement

The Retrospect, a new news-style advertisement currently used by the Citizens National Bank of Collingswood, New Jersey, suggests a different idea in house-organing which has its points. The advertisement is set in typical miniature news-style format with the by-line, "Citizens Bank News, Published Weekly in the Interest of Our Patrons, Our Service and Our Personnel." It appears regularly in the same position of the local weekly newspaper. Its purpose is to fasten the public eye on news within the institution—and this it does quite effectively. Since the publication of this style of copy is usually reserved for house-organ release, this idea seems to serve the same purpose in a novel way, and, moreover, it eliminates all circulation problems.

Trust Mailing

THEMED to Longfellow's famous line, "Lives of great men all remind us," a striking new series of ten booklets is currently mailed to special lists by the trust department, First Camden National Bank & Trust Company (Camden, N. J.).

TRUST MAILING



Simplicity is the pattern of this series. Each cover reproduces a portrait silhouette of some noted historical figure, with facsimile signature. The style is a perfect example of the quaint silhouettes popular years ago. Some event of each career is treated editorially in the first part of the brief text, then follows a close tie-in of trust copy dealing with present-day services.

Loans to Small Business

A STUDY of loans to small business by California banks leads to the conclusion that a large proportion of the requests for this class of credit are granted.

Results of the survey conducted by the California Bankers Association are summarized by J. Knight Allen, the association's director of research, who found it clear that "where a business has a good record and prospect of earnings, sufficient proprietorship capital and good assets, there is little probability that a bank loan will be refused." On the other hand, where these points are absent, "there is not much justification to make a loan."

The study was undertaken "because of the agitation in Washington, D. C., for legislation designed to increase the credit accommodations allegedly needed by small business." The California banks were canvassed for their experience with borrowers in that category.

Eighty small and medium sized banks reported that they received 39,012 applications, approved 31,876, or 81 per cent, and made loans totaling over \$16,000,000 in 1938 to California businesses with net worth of less than \$100,000. Businesses in the \$100,000-\$200,000 group made 2,308 applications and received 1,910 loans, or 83 per cent, aggregating \$9,200,000.

AVERAGE LOAN SMALL

"THE average size of loans received by small business in California," says the report, "is so small as to make it doubtful if their administration by a central agency or a governmental agency is practical. Businesses with less than \$100,000 capital and borrowing from banks obtained loans which averaged about \$500; businesses in the \$100,000-\$200,000 class obtained loans which averaged \$4,800."

The rate of interest, averaging 6.6 per cent on the unpaid principal, is held reasonable "considering the high risks and the high costs of handling." In some cases rates were as low as 3 per cent, and in most instances there are no loan charges besides interest. There is no uniformity as to length of loan term.

The leading reasons for rejecting loan applications of small businesses were such familiar ones as: purpose speculative, earnings uncertain; lack of capital; lack of security; weak or inexperienced management; weak financial statement; poor credit reputation; poor earnings record—reasons related to phases of

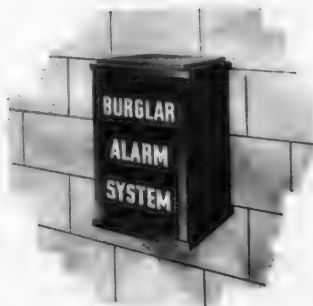
applicants' business which "no reasonable law can attempt to alter."

Concluding, Mr. Allen says:

"Several reporting bankers stressed the fact that banks are accommodating many borrowers who have tried unsuccessfully to obtain loans from the RFC or the Federal Reserve banks. Very probably the banks are more liberal with most borrowers than these two Federal agencies. A very large majority of applications forwarded by the banks

to the RFC and to the Reserve bank are rejected unless the bank forwarding the loans wants to participate.

"Many banks are cooperating in the loan participation program of the RFC and the Federal Reserve banks. In many cases the bank assists the small business man in preparing applications for Federal loans in which the bank does not wish to participate, rendering this assistance entirely in the spirit of cooperation and helpfulness."



When it rings—!

When the alarm is clanging and bare-faced desperadoes are covering their retreat with sub-machine guns, it's *too late* to secure adequate insurance protection.

Before armed robbery by day or burglary by night can cripple your bank's security, take counsel with your Standard agent as to whether you carry sufficient protection. And assure yourself that those who procure loans from you are likewise properly safeguarded.

Standard Accident of Detroit, with 55 years' experience on bankers' problems, also insures against loss consequent on embezzlement, forgery, and similar hazards. Financial men commend its record of prompt, equitable settlements.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

Heard Along MAIN STREET

This material is compiled for
BANKING by Albert Journeay

RALPH L. ADAMS, trust officer, Commerce Trust Company, Kansas City, Missouri, has been active in Delta Theta Phi, national legal fraternity, since 1911. For 14 years he held official positions in the fraternity and for four years was its national president. He is still the chairman of the endowment committee.

— P —

The reverse side of the melodrama picturing the hard-hearted banker causing dispossessed tenants to be ejected brought the name of HENRY BRUERE, president of the Bowery Savings Bank of New York, into the newspaper headlines recently.

The bank is said to hold an overdue \$240,000 mortgage on the Lyceum Theatre in which DANIEL FROHMAN, 88 year old dean of the stage, maintains a studio that houses everything of sentimental value to him.

Learning of this, Mr. BRUERE assured the veteran actor that he could retain the studio for the remainder of his life.

— P —

JAMES C. DULIN, JR., treasurer, The American Security and Trust Company, Washington, D. C., has had many exciting experiences while spending his vacations in Alaska.

One of the most recent occurred when he attempted to cross the Nebesna River on horseback. Rider and horse were caught in quicksand. Within a brief space the sand had reached the rider's knees and the situation was critical. However, some good old "horse sense" enabled the horse to extricate itself and its rider.

— P —

According to the *S.E.P.*, ORVILLE BULLITT, Philadelphia banker, is president of the Philadelphia Orchestra and of the University of Pennsylvania Hospital. As an undergraduate at the U. of P., Mr. BULLITT was a member of the varsity basketball team. He is a brother of Ambassador WILLIAM C. BULLITT.

— P —

JAMES K. VARDAMAN, JR., president of Tower Grove Bank and Trust Company, is vice-president and treasurer of the St. Louis Grand Opera Association. This association, president of which is

WALTER W. HEAD, former Omaha and Chicago banker and former A.B.A. President, has for its purpose providing the music-loving public of St. Louis with grand opera on the highest artistic level. It is an important step in the development which is causing St. Louis to be looked on as one of the great cultural cities of the world.

Mr. VARDAMAN is the son of JAMES K. VARDAMAN who gained wide fame as U. S. Senator from Mississippi.

— P —

L. T. BERNARD, president, Bank of West Baton Rouge, Port Allen, Louisiana, was recently featured in the news reels as treasurer (since 1920) of the unique Poydras Fund of West Baton Rouge Parish.

This fund, originally \$30,000 and now slightly more, was created in 1825 by JULIEN POYDRAS, a large land owner. It is believed to be the only fund of its kind in the world. The interest derived each year from the investments is divided among indigent girls residing in the parish who marry during that year. It was apparently the desire of POYDRAS, who, legend says, had come to this country penniless, to supply dowries for girls of poor families.

It serves as a fine example of the stability of real estate as an investment, since from the beginning the money has been invested in first mortgages on real estate. These mortgages have no maturity and become due and collectible only when the mortgagor fails to pay his annual interest or dies.

— P —

RALPH C. GIFFORD, president, First National Bank of Louisville, did the household budgets of that city a good turn recently. The bank offered a series of 12 lectures for housewives by Ethel Laney, writer of a syndicated column on home budgeting. Mr. Gifford says: "It was our aim to render the community a service by emphasizing the wise use of money in the family in these days of extravagant expenditures when individuals are being urged by example and propaganda to make unbusiness-like use of their means."

— P —

Few bankers have plied their profession over as wide a territory as has EARL B. SCHWULST, first vice-president of the Bowery Savings Bank of New York.

Mr. SCHWULST, a native of Texas and a graduate of Harvard, also attended



TREKKING IN THE NORTH

James C. Dulin (see column 1) riding in Alaska during one of his vacation adventures

Brooklyn Law School and the University of London. His career covers association with the Federal Reserve Bank of Dallas, financial adviser to the Central Bank of Ecuador and to the Governor General of the Philippines, and executive vice-president of the Philippine National Bank. At the request of the Cuban Government he headed a financial commission which surveyed the banking situation in that country.

— P —

KENNETH B. DEVLIN, trust officer of the Power City Trust Company, Niagara Falls, N. Y., although a lifelong Republican, has recently been elected mayor of Lewiston on the Democratic ticket. The highest vote in the history of the village was recorded. Mr. Devlin was swept into office with an 8 to 1 majority over the Republican candidate.

Mr. DEVLIN is a graduate of Union College, a member of Sigma Phi fraternity and served overseas with the A.E.F. For recreation he turns to golf, tennis and bowling.

— P —

HARRY B. McDOWELL, president of the McDowell National Bank, Sharon, Pennsylvania, is still a registered "law student" in Mercer County and is called upon to help the county's "student" golf team when they meet the teams of neighboring counties in regularly scheduled contests.

"Punch," as he is called, graduated from W. and J. and on entering Harvard registered as a student attorney in Mercer County. As he did not complete his legal studies he is still registered and eligible to compete. His round of

(CONTINUED ON PAGE 68)

MODERN PAYROLL RECORDS TO MEET THE MODERN PAYROLL PROBLEM

PAYROLL

ATTACH SHIPPED PAY RECEIPTS AND RETURN TO PERSONNEL DEPARTMENT PROMPTLY IN SEALED ENVELOPE

PAY TO	DATE	REGULAR SALARY	OVERTIME	DEDUCTIONS						RETIREMENT	NET SALARY
				F. O. A. B.	UNEMP.	COL. IN.	ADVANCES	SAVINGS	LOANS		
JOHN DOE TRANSIT	10 JUN 15 39	70.00			1.20		10.00	5.00	6.50		47.30
RICHARD ROE TRANSIT	9 JUN 15 39	62.50			1.20			3.00			58.30
MARY SMITH TRANSIT	13 JUN 15 39	50.00			.60			2.50			46.90
		182.50 *						30.00 *			152.50 *

DATE	REG. SALARY	OVERTIME	DEDUCTIONS						NAME
			F. O. A. B.	UNEMP.	COL. IN.	ADVANCES	SAVINGS	LOANS	
Forwarded	70.00	1.10	1.20	2.00		5.00	6.50		John Doe
Paid 1-29	70.00	1.10	1.20	2.00		5.00	6.50		

INDIVIDUAL EARNINGS RECORD

DATE	REGULAR SALARY	OVERTIME	DEDUCTIONS						NET SALARY	QUARTERLY EARNINGS
			F. O. A. B.	UNEMP.	COL. IN.	ADVANCES	SAVINGS	LOANS		
JUN 15 39	70.00			1.20		10.00	5.00	6.50	47.30	70.00 *
JUN 31 39	70.00			1.20		2.00	5.00	6.50	56.50	140.00 *
JUL 3 39		4.13							4.13	144.13 *
JUL 15 39	75.00			1.80			3.00	6.50	61.70	205.83 *
JUL 20 39	75.00			1.80		2.00	5.00	6.50	66.50	272.33 *
AUG 3 39		2.36							2.36	274.69 *
AUG 15 39	75.00			1.80			3.00	6.50	61.70	336.39 *
AUG 31 39	75.00			1.80		2.00	5.00	6.50	61.50	407.89 *

Public: _____

John Doe 10
Transit Dept.

DATE	REGULAR SALARY	OVERTIME	DEDUCTIONS						NAME
			F. O. A. B.	UNEMP.	COL. IN.	ADVANCES	SAVINGS	LOANS	
JUN 15 39	70.00			1.20		10.00	5.00	6.50	John Doe

RETAIN THIS STATEMENT as record of your earnings and pay deductions.

DATE	MONTHLY SALARY	ANNUAL SALARY	ENTERED	LEFT	SOC. SEC. NO.	NAME
Forwarded	160.00	1,680.00	June 1, 1939		000-00-0000	John Doe
Paid 1-29	150.00	1,500.00				

TO MEET the requirements of wages and hours legislation, Burroughs offers several plans for providing adequate payroll information in readily usable form.

These plans provide an employee's earnings statement, individual earnings record, payroll sheet, and pay check or envelope. All may be written simultaneously, with the necessary totals automatically accumulated if desired.

Besides furnishing a positive basis for wage-hour control, such records today perform an important function in the maintenance of efficient operating procedures.

Regardless of the number of persons employed by your bank, there is a plan exactly fitted to your needs. Call your local Burroughs representative.

Burroughs

Burroughs Adding Machine Company
6236 Second Blvd. - Detroit, Michigan

84 at Hot Springs during the recent A.B.A. Spring Council Meeting indicates one reason why he is a perennial member of the team.

—P—
JOHN K. OTTLEY, who is chairman of the board of the First National Bank of Atlanta, is an executive who has risen from the ranks and has held every one of the scores of jobs that go to make up the activities of a modern bank. Mr. OTTLEY is also a great traveler, an omnivorous reader, and an unerring judge of good horseflesh. An accomplishment which is his keenest

source of pride is his ability at table tennis, for he is champion of his neighborhood and offers to take on any and all bankers.

—P—
ROBERT L. WELLS, vice-president, The Manufacturers National Bank, Troy, New York, is receiving congratulations on out-Cantoring Eddie Cantor. On April 17 a seventh daughter was born to Mr. and Mrs. WELLS. This puts him two up on the jovial Eddie.

When not figuring clothing allowances for his attractive daughters Mr. Wells indulges his keen liking for read-

ing mystery stories or turns to the piano, which he plays by ear.

—P—
H. R. LESLIE, trust officer, Jackson (Michigan) City Bank and Trust Company, has an excellent voice. While a student at the University of Michigan he was a bass soloist in the Glee Club.

—P—
C. A. AYLESWORTH, Peoples-Pittsburgh Trust Company, is a collector of dolls. Mr. AYLESWORTH first became interested in this hobby by collecting dolls for his little daughter. When she outgrew the doll age he continued the collection and now has a fine assortment from all over the world. This collection is now housed in the Carnegie Institute.

—P—
I. F. FREIBERGER, vice-president, member of the executive committee, and recently elected director of the Cleveland Trust Company, is known widely as an outstanding trust executive.

Not so well known is the fact that he is equally outstanding athletically. While a student at Western Reserve University he won fame as one of the best basketball guards in Ohio. He is an ardent baseball fan and a director and stockholder of the Cleveland Indians. Each year he visits the spring training camp and works out with the team.

Mr. FREIBERGER has been president of the Cleveland Chamber of Commerce, vice-president of the Great Lakes Exposition and a director of the National Air Races. He has been associated with the Cleveland Trust Company since 1901.

BANKING AND BASEBALL

I. F. Freiburger (see above) is a director of the Cleveland Indians as well as the Cleveland Trust Co.



R. G. RANKIN & CO.

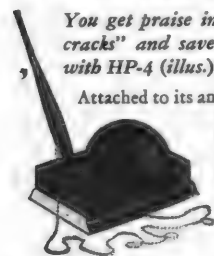
CERTIFIED PUBLIC ACCOUNTANTS

Examinations
of
Banks and Trust Companies
for
Directors Committees

CHICAGO NEW YORK WASHINGTON

Waste less time —
get rid of disturbing annoyance
— with the *Handi-pen*
on every desk

Everybody in your institution who writes appreciates the effortless performance of this famous modern writing instrument. It writes instantly, smoothly. Point rests in fresh ink — a year's supply! No nuisance of frequent refilling. No constant dipping, clogging, flooding. \$2.50 to \$45.00 — including beautiful de luxe sets for executives. HP-5 (illus.), \$4.00. Get your Handi-pens from your stationer. Or write for 10-day free trial offer.



You get praise instead of "wise cracks" and save money, too — with HP-4 (illus.) on lobby desks.

Attached to its anchored base by a 24" chain, to avoid lost pens and spilling. \$3.00 each.

(Tear out coupon and mail today)

Sengbusch Self-Closing Inkstand Co.

6B Sengbusch Building
Milwaukee, Wisconsin

Gentlemen: Please ship me..... Handi-pen sets ☐ HP-5 for office use ☐ HP-4 for lobby desks, for a 10-day free trial. I understand there is no obligation on my part.
☐ Send me more information on Handi-pens.

Name.....

Address.....

City..... State.....

The Small Capitalist Waits

(CONTINUED FROM PAGE 20)

are inherent, but, if such restrictions in the way of taxes and otherwise are imposed that profits, if any, can come only from enormous production, than a small business cannot attract capital."

"We have numerous requests to finance worthy local enterprises coming into our office," writes still another banker, "and I am sorry to say we are not able to lend the financial assistance necessary, nor are we in a position to refer them to anyone else."

"We had one instance in particular where we interested two individuals in a company. They were satisfied with the product and they were quite enthusiastic about the potential earning possibilities. However, they finally decided to decline for the reason that they are currently paying over 70 per cent state and Federal income taxes on their top dollar of income and under the circumstances it did not appear worth while."

"I believe there are two reasons why private funds are not available to finance small local businesses," writes another man. "No. 1, Taxes; No. 2, Taxes. The first reason is that the surplus funds which professional and business men had to invest in local enterprises up until the last few years are now largely going to the Government in the form of taxes. Secondly, a few fortunate people who have money who might be interested in small enterprises will not invest their funds in this manner because if the venture is successful the major part of their profit goes in taxes, and if it is unsuccessful they stand the entire loss."

Summing up the replies received to my inquiry I find that two facts stand out. First, an inordinate desire on the part of investors to remain liquid and to confine their purchases to Governments and listed securities in general, and, second, the fact that taxation has reached a stage where it is seriously interfering with what has been considered the normal functioning of the capital market.

Certain inconsistencies and flaws can be picked in the general argument; that is inevitable where a consensus of opinions is involved. The writer has tried merely to present the consensus fairly and accurately. Nor do we have much in the way of suggested remedies; the only light afforded is as to the causes of the difficulty. But to know what is wrong is often the first step in righting it.

Capital and Taxes

WHILE I sympathize entirely with the view that the retention of profits in the corporate treasury ought not to be permitted in those cases where it is merely a ruse to relieve large stockholders from personal taxes, still on the other hand the universal application of the undistributed profits tax works great hardships on smaller concerns which find it difficult to get capital, and especially on new enterprises in which investors are hesitant to embark their savings. . . .

I am strongly inclined to think that the capital gains tax is a wholly undesirable item in a program of national taxation. It has probably received its chief support because of the desire to reach the speculator, especially on the stock exchanges. The impact of the tax, however, has become a serious deterrent to supplying adventure and equity capital in the country.—OWEN D. YOUNG, chairman of the General Electric Company, before the Temporary National Economic Committee.

Homes equipped with non-rust metals MAKE BETTER MORTGAGE RISKS



IN copper, brass and bronze, mortgagors find a recognizable basis for sounder security in their mortgage risks. For these Anaconda Metals, by eliminating rust and rust-repairs, help preserve the original value of the home.

Moreover, such products as copper and brass pipe, copper sheet metal work, Everdur Metal hot water tanks and bronze screening cost so little more than temporary rustable materials that... in terms of service rendered per year, per dollar... they are far more economical.

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... to all America is the diversified industry of the Great Lakes region. Centrally located and long established in the heart of this great industrial area, Central National Bank offers its complete facilities to business firms and their banks everywhere. A correspondent bank relationship with Central National assures fast handling of transit and collection items at Cleveland.



CENTRAL NATIONAL
BANK of *Cleveland*

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Abstracts for FHA Loans

TITLE to the mortgaged property is not insured by the Federal Housing Administrator, nor is the mortgagee relieved of its responsibility in connection therewith, under the FHA plan. Before a mortgage note is endorsed for insurance by the Federal Housing Administrator the lending institution must certify on the commitment for insurance that to its best knowledge and belief "the lien securing the loan covered by said application has been recorded and is a good and valid first lien on the property therein described."

Moreover, in case of default and after a mortgaged property is foreclosed the mortgagee must furnish satisfactory evidence to the Administrator that its title to the property is good and marketable before it can be exchanged for debentures.

Under FHA regulations evidence of title in the following types will be satisfactory to the Administrator:

- (a) A fee or owner's policy of title insurance, a guaranty or guarantee of title, or a certificate of title, issued by a title company, duly authorized by law and qualified by experience to issue such; or
- (b) An abstract of title prepared by an abstract company or individual engaged in the business of preparing abstracts of title and accompanied by the legal opinion as to the quality of such title signed by an attorney-at-law experienced in examination of titles; or
- (c) A Torrens or similar title certificate; or
- (d) Evidence of title conforming to the standards of a supervising branch of the Government of the United States or of any State or Territory thereof.

KANSAS OFFICERS AND DIORAMA

The newly elected officers of the Kansas Bankers Association are shown below looking over a diorama heralding the A.B.A. Convention to be held this September in Seattle. The officers are president Roy A. Haines, president of the Prairie State Bank, Augusta; secretary, Fred M. Bowman; vice-president Olney D. Newman, president of the Garden National Bank, Garden City



Perhaps the most common type of title document in use today is the abstract. However, a lending institution that offers an abstract of title to the Administrator on a foreclosed property does not have positive assurance that the document will be acceptable. Restrictions in the FHA regulations plainly state that an abstract will be considered satisfactory if it is prepared by an abstract company or individual engaged in the business of preparing abstracts. Furthermore if an abstract is used it must be accompanied by a certificate of title signed by an attorney experienced in examining titles.

An attorney's certificate of title is, of course, only a legal opinion of the title after an examination of the records has been made and not a guarantee that the title is good. In order to determine that the examination has been adequate and that the opinion may be relied upon, the certificate should set out fully the information desired. For example, in some sections of the country it is not a general practice to make a search for judgments, bankruptcies or fines in criminal courts unless a special request is made by a client. Doubtless this was one of the reasons for the development by the FHA of a special form of attorney's certificate of title which is recommended although not required.

This form is employed to certify the title by an examination of the records before a loan is granted and is intended to eliminate reexamination of the back title by an attorney. The certificate is not to be sent to the FHA but should be attached to the abstract and retained by a lending institution as additional support to the correctness of the abstract.

There is ample space on the paper for the following information: mortgages; mechanics' liens; judgments (state and Federal, including fines and penalties in criminal proceedings; attachments; suits pending or *lis pendens* affecting title; bankruptcy proceedings by or against all parties in chain of title within 10 years last past; leases or land contracts recorded or known; party wall agreements, encroachments, and easements, recorded or known; restrictive covenants (show record reference, and indicate any known violation), also, do they contain reversionary or forfeiture clause?; oil or mineral rights; do such rights permit injury to surface without payment of adequate damages?; estate and income taxes; corporation or franchise taxes; taxes, including outstanding tax certificates, unredeemed tax sales, and personal property taxes where liens; special assessments; other liens, objections, and defects.

AN ITEM payable in Spokane was mailed to us by an up-state correspondent Saturday afternoon.

This item, if handled in the usual manner, would have been received and forwarded by us Monday.

But through continuous operation, direct connections and the use of air mail, presentation was made in Spokane on Monday—to the amazement and great satisfaction of our endorser.

Let us help you with your collection problems.

... THE ...

PHILADELPHIA NATIONAL BANK

ORGANIZED 1893

PHILADELPHIA, PA.

**Capital, Surplus and Undivided Profits
\$40,000,000**

Member of Federal Deposit Insurance Corporation

STATEMENT OF CONDITION

Mercantile-Commerce Bank and Trust Company

Locust-Eighth-St. Charles
St. Louis

MARCH 29, 1939

THE RESOURCES

Cash and Due from Banks	\$55,681,252.10	
U. S. Government Obligations, direct and guaranteed— (Pledged)	\$13,569,479.34	
(Unpledged)	57,428,914.16	70,998,393.50
Other Bonds and Securities— (Pledged)	None	
(Unpledged)	\$25,442,983.14	\$25,442,983.14
Demand Loans	7,229,730.17	
Real Estate Loans	6,511,177.01	
Time Loans	11,219,821.27	50,403,711.59
Stock in Mercantile-Commerce Company		6,600,000.00
<i>(As authorized by the Banking Act of 1933, the Mercantile-Commerce Company is a wholly owned subsidiary of this Bank, with no liabilities. Its assets consist entirely of U. S. Government Obligations, carried at par.)</i>		
Stock in Federal Reserve Bank in St. Louis	390,000.00	
Real Estate (Company's Building)	2,350,000.00	
Safe Deposit Vaults	500,000.00	
Other Real Estate (Former Bank of Commerce Bldgs.)	1,500,000.00	
Overdrafts	19,131.51	
Customers' Liability on Acceptances and Letters of Credit	264,092.44	
Other Resources	74.00	
		\$188,706,655.14

THE LIABILITIES

Capital Stock	\$10,000,000.00
Surplus	3,000,000.00
Undivided Profits	\$3,259,153.31
Reserve for Dividend Declared	150,000.00
Reserve for Contingencies	3,409,153.31
Reserve for Interest, Taxes, etc.	862,568.21
Unpaid Dividends	248,559.23
Bank's Liability Account Acceptances and Letters of Credit	2,452.50
Deposits, Secured: Public Funds . \$12,034,622.48	
Other Deposits, Demand	264,092.44
Other Deposits, Time	
	\$188,706,655.14

All Securities pledged are to the U. S. Government or its Agents, State of Missouri and the City of St. Louis, to secure deposit and fiduciary obligations.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

The outline of information to be furnished above will prove conclusively that an abstract of title without a certificate will not be sufficient in case a property is deeded to the Administrator.

Let us now look at the title evidence required by two other Government agencies that have been provided with the funds and facilities for making FHA mortgages readily marketable.

The Federal National Mortgage Association will purchase from approved mortgages any eligible FHA mortgage insured after January 1, 1937, while the RFC Mortgage Company will purchase only mortgages insured prior to that date.

FURTHER REQUIREMENTS

OBSERVING only the abstract form of establishing a title, it is noted that the Federal National Mortgage Association must be tendered an abstract prepared by an abstractor satisfactory to the Association before it will purchase a mortgage or deed of trust. Also the abstract must cover a period usually acceptable to prudent lending institutions in the community in which the property is situated. The abstract must cover a period equal to the appropriate limitation statutes of the State in which the property is located, plus 22 years.

Again, an attorney's certificate of title must accompany the abstract in the sale of a mortgage to the Federal National Mortgage Association. The form is similar to the certificate required by the Administrator but it is a

VIRGINIA BANKER

Giles H. Miller, vice-president and trust officer of the Lynchburg National Bank and Trust Company of Lynchburg, is the new president of the Virginia Bankers Association



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BERKSHIRE MUTUAL

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"Over One Hundred Years of Continuous Service"



special document prescribed by the Association. On the paper an attorney (satisfactory to the Association) must declare that the mortgage, or deed of trust is a valid, first and paramount lien on the property. Abstracts that meet the same qualifications will also be acceptable to the RFC Mortgage Company.

To encourage lending institutions to require a complete and exhaustive examination of abstracts a brief outline of an acceptable procedure for the preparation of the certificate of title is given here as told to the writer by a reputable attorney. The information is not intended to be complete but only to give a general view of the work to be done so that loan officers will be reminded to look more closely to titles and require certain standards of title evidences.

The abstract should be glanced over first in order to establish the chain of title from its source which is usually the Government land grant. After establishing the fact that the title appears in unbroken sequence from the initial conveyance to the present holder, a search is made of the document to determine validity of the title.

Any discrepancy, defect or objections must be noted. After a general survey has been made, a review of notes should be taken and a critical review made to determine the effect and validity of the title. Each step should be made technically and in some instances a comparison of the original instruments with the

abstract will be found beneficial in arriving at conclusions.

The names of conveyors and the dates of instruments should be carefully followed down through the entire chain of title. The deeds should be observed for their correctness of form and execution.

The property description must correspond essentially to the caption of the abstract and to prior conveyances.

If judgments are recorded their names should be observed as they may be the same person or persons that now own the real estate.

Affidavits may determine many of the points in doubt. Where a death or

marriage appears in an abstract and one person conveys a property, investigation should be made and affidavits attached.

This article has dealt entirely with the abstract as a means of proving title and does not necessarily recommend this form. Neither should it be taken to mean that the evidence is not adequate but merely to influence lenders to be more cautious in accepting abstracts and to follow strictly the regulations set down by the FHA and other dealers in insured mortgages.

GEORGE R. SMITH

Cashier, Commercial National Bank
Demopolis, Ala.



"I Investigated and Picked a Mutual"

"Here's why I Chose Lumbermens"

"It was my responsibility to recommend the company with which my bank should place its casualty insurance and Fidelity bonds.

"I investigated and found the best buy in Lumbermens Mutual. I based my recommendation to the committee on the following facts:"

1. Lumbermens record of steady growth and sound management through war, panic and depressions proves its financial stability.
2. Lumbermens has over \$34,000,000 in assets and a net cash surplus of over \$4,500,000. More than 65% of all assets are in cash and U. S. Government Bonds.
3. Lumbermens offers prompt service—through their local representative and their nationwide facilities.
4. Lumbermens has returned dividend savings to policyholders every year for more than a quarter of a century . . . profits that have meant savings on Automobile, Boiler and general casualty insurance and on Fidelity bonds.

"The committee was 100% in favor of my recommendation. They voted unanimously for the full security and service that Lumbermens gives, plus the savings Lumbermens policyholders earn through dividends."

Lumbermens Mutual Casualty Company

JAMES S. KEMPER, President

HOME OFFICE: MUTUAL INSURANCE BUILDING, CHICAGO, U. S. A.

"The World's Greatest Automobile Mutual." Organized originally for lumbermen—now serving a representative cross section of American industry.

SAVINGS BANK OFFICER

Fred F. Lawrence, treasurer of the Maine Savings Bank, Portland, Maine, was elected president of the National Association of Mutual Savings Banks at the association's recent convention in New York



New Carter Glass Biography

IT has come to be a commonplace in American public life that the history of Carter Glass of Virginia, in the past 30 years, is the history of American banking in that period. Yet in reading the new biography of the senior Senator from Virginia by Rixey Smith and Norman Beasley (*Carter Glass, A Biography*. Longmans, Green & Co., \$3.00), it is the man rather than his work that sticks in one's memory.

The account of the origin and drafting of the Federal Reserve Act, in-

cidental to the biography, brings out a few side lights which illuminate the struggle necessary to put that measure through Congress. Disputes as to the authorship of the measure are disposed of once and for all. While the Senator himself would ascribe credit for authorship and most everything else to President Wilson, one need only go over the record step by step to appreciate that it was Glass who conceived the plan and fought the fight to place our money and credit on a firm foundation.

Few bankers will remember, if ever they knew, that one of the chief objects of the Reserve Act was to do away with national bank currency whose limitations under the law prevented credit elasticity. The reform was not fully accomplished until a quarter of a century thereafter, a delay representing a necessary compromise with radical currency expansionists.

Another impression given by this man's history is that much of later banking and financial legislation had its inception 20 years or more ago. The beginning of the movement to control stock market speculation may be traced in Senator Glass' administration as Secretary of the Treasury. The Secretary at that time made efforts to stop or at least control the use of Government securities as collateral for loans used in speculation and stated that, if the New York Stock Exchange did not effect reforms from within its organization, "sooner or later the Government must undertake the task."

Opposition to continued deficit spending was voiced in the annual report of the Secretary in 1919. It was about that time that Secretary Glass threatened to refuse to honor any more requisitions of the United States Shipping Board unless it submitted its accounts for audit. Significant also in relation to present day events are the accounts of dissensions in the Wilson cabinet over commodity prices. The problem of inflation and deflation, and the discussion of Germany's economic position, Government bond issues, inter-government debts, international politics in Europe and neutrality, disturbed the Cabinet then as it does now. It is a long record, largely of controversies, but one eminently honorable and useful.

THE PERSONAL ELEMENT

YET, as indicated, one turns to the personal element in this record, the history of the man. Sympathy goes out to the barefoot boy who defied a squadron of Union cavalry. Admiration wells up for the young editor who ran for an office when he knew he faced defeat but who, in his defeat, smashed a corrupt political machine which had held back the development of his state for a generation.

Refreshing, indeed, is the stalwart patriotism of this son of Virginia. In 1916 the pacifist-political bloc in Congress proposed to warn Americans from traveling on armed ships of the belligerent powers lest the United States

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of a Ship's course —*

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Increase your Personal Loan volume through Our Personal Loan Life Insurance which *operates without cost to the bank* — and pays the note in the event of the borrower's death. We have always specialized exclusively in providing Personal Loan Insurance for Banks. Complete information upon request.

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The Credit Life Insurance Co.

HOME OFFICE
JOHN F. HOLLENBECK **Springfield, Ohio**
President

be drawn into war. "I want them (the people of Virginia) to know that I oppose any surrender, actually or implicitly, of any vital American right merely to propitiate a war-mad foreign nation. . . . I want them to know that I should despise myself for a vote cast here to warn American citizens that they must travel the free waters of the globe in merchant ships at their own peril."

A manly book, this, well written and for the most part, well balanced in its selectivity.

GEORGE E. ANDERSON

Mortgage Money

REPORTING that real estate activity in the section was slowly on the upward trend, Donald T. Pomeroy of Syracuse told the Central Atlantic Regional Conference of the National Association of Real Estate Boards that the ready availability of mortgage money and reasonable terms of amortization had done much to stimulate residential construction. Mr. Pomeroy is the association's vice-president for the region.

For the most part such mortgages carry an interest charge of 5-5½ per cent except for the New York metropolitan area where funds have recently become available at 4¼-4½ per cent, he said.

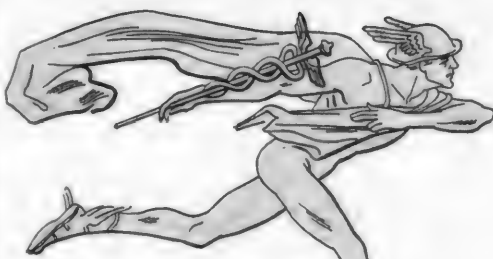
Presidents of state real estate associations and of local real estate boards, in a survey made for the conference, summarized conditions as follows:

New York: Activity fair with increase anticipated; rents holding firm but still lower than is necessary to create buying demand; construction spotty, little change in volume from last year; sales prices predominantly on a level with last year, though more communities show decline than show rise.

Pennsylvania: Definite pick-up in the lower-priced home bracket, although, aside from public institutions, no large construction is under way; prices about the same as a year ago with sacrifice offers being promptly absorbed; activity fully up to 1938.

New Jersey: More optimistic spirit than last year; general activity about on 1938 level; normal residential building activity being maintained; larger construction shows little progress; institutional holdings being re-priced for greater volume of sales.

Maryland: Residential construction slightly better than a year ago; no



Quicker Service because — LOCATED INSIDE CHICAGO'S UNION STOCK YARDS

Those non-productive "float" balances — reduce them by dealing with the Chicago bank that can give you really quick service on agricultural transit items. Why? Because we're located where things happen here in Chicago. In the Yards — next door to the packing houses; in constant contact with commission men, buyers, shippers, railroads. And only a stone's throw from the *only* mail distributing station in Chicago (outside the central post office) where mail is delivered *directly* to and from rail terminals. And quicker service because we have the internal facilities to get things done quickly — ample equipment, efficient methods (developed through 70 years of specialization), and half our staff engaged in this one service. Nearly 500 banks find benefit in their correspondent connection here. Why not check into the facts in your own case?

Live Stock

National **Bank** of Chicago
Oldest Live Stock Bank in America

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

change in prices except for a slight lack of firmness as compared with last year.

Washington and District of Columbia: Market definitely more active in residential and commercial construction.

Virginia: More new construction than ever before in the history of the State; growth and demand in northern Virginia reported as "almost unbelievable." The more cautious in this State warn "we should carefully watch our demands and discourage over-building."

West Virginia: Marked improvement in general market activity; residential construction up 20 per cent; general building up 50 per cent; and trend of real estate prices "decidedly up."

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ASK BANKING

Accounting System

How would you proceed to change from a "cash" to an "accrual" accounting system?

THE ONLY THING that presents any difficulty in bank accruing is the accrual of interest income. The first step in the accruing of this interest is to take some specific future date, preferably the first of a month, and accrue all items as of that date. Notations can be made in pencil on the margin of notes showing the interest accrued on the interest-bearing and the unearned portion on the discounted notes. If desired, two columnar books may be used, one for interest-bearing and one for discounted notes, into which the accrued or unearned portions at the specific date are entered in the first monetary column, and the balance spread into the subsequent columns according to the months in which earned.

It is, of course, not practical to accrue interest ahead on demand or matured notes, as these may be paid before the date set. Such notes, therefore, can be separated and the interest on them computed after banking hours on the day before the change-over. Interest on mortgages and bonds can be handled in the same way. The larger items of expense such as interest paid, taxes, insurance, etc., must likewise be accrued and set up as of the same date. As salaries are paid in the month in which earned it is not necessary to take them into

This department is compiled for
BANKING by E. S. Woolley

consideration in a monthly accrual system.

The important thing in changing from a cash to an accrual basis of accounting is to set the date of change sufficiently ahead in order that everything that should be accrued is properly set up at that time.

Deposit Turnover

How is the turnover of deposits ascertained?

A SIMPLE method to follow is to run a total of six months debits as shown by the general ledger for each general ledger deposit account. Then divide these totals by the average deposits in each class. This will give the turnover for that period which, multiplied by two, will give the annual turnover. In the case of demand deposits the sum of six months' debits will exceed the average deposits. For example, six months' debits might quite reasonably total \$4,000,000 on average deposits of \$500,000. This would mean that the deposits were entirely withdrawn and redeposited 20 times in the six months, or 40 times a year, equivalent to once in 7.6 working days. In the case of savings or other time deposits in

which the totals of the six months' debits are less than the average deposits the result will be in percentage. For example, if the savings deposits are \$1,000,000 and the total of the six months' debits is \$125,000, the turnover is 12.5 per cent in six months. Dividing 100 per cent by 12.5 per cent gives 8, which, multiplied by 6 months, gives 48 months. Therefore the turnover is once in 48 months in this case.

Required Balance

How is the "required balance" of commercial deposit accounts computed?

ASCERTAINING a "required balance" is merely finding the principal which, at a stated rate of interest, will produce a given sum in a given period. For example, an account has expenses of \$6.92 in a month. The net earning rate of the bank is 4.5 per cent per annum. The reserve rate on the commercial deposits is 18 per cent of the collected balances. As the earning rate of 4.5 per cent is earned on the earning balance, the collected balance earns 82 per cent of 4.5 per cent, which is 3.69 per cent. One-twelfth (1/12) of 3.69 per cent is .3075 per cent (.003075). Dividing the expenses of \$6.92 by .003075 gives the required collected balance of \$2,250.40. To this must be added the float to find the required ledger balance. The same principle can be followed with any earning and reserve rates.

BOOKLETS

FLOORING. *Better Floors for Better Business.* Armstrong Cork Producers Co., Lancaster, Pennsylvania. Illustrating custom and stock designs of linoleum flooring and wall covering.

INVESTMENT COUNSEL. *Investment Bulletin of Investment Research Bureau of Indiana University.* Distributed by Moody's Investors Service. Contains article on "Investment Counsel for Banks" by Dr. H. C. Sauvain, professor of finance, Indiana University School of Finance.

STORAGE. *A Simple Method for Storing Old Records.* Catalog 341 of the Bankers Box Co., Chicago. Shows different

styles and sizes of storage boxes for bank use.

SAFETY GLASS. *Multiplate.* Pittsburgh Plate Glass Co. Photographs of banks equipped with bullet-proof glass and a treatise on its advantages.

STORE FRONTS. *Bronze—The Key to Better Retailing.* The American Brass Co., Waterbury, Conn. Shows the effectiveness of bronze signs and trimmings.

OFFICE ROUTINE. *Ways to Save Time in an Office.* Burroughs Adding Machine Co., Detroit. Suggestions for locating and eliminating useless and costly operations that handicap office employees.

FERTILIZER. *The Fertilizer Review*, Vol. IV, No. 1. Published by National Fertilizer Association. Statistics and information on the use and production of superphosphate.

FIRE INSURANCE. *Digging Beneath the Surface*, by James Wyper, vice-president, Hartford Fire Insurance Co., Hartford, Conn. An educational exposition of the fire insurance policy for the layman.

AIR-CONDITIONING. *What Air-Conditioning in Your Bank Will Do.* The Carrier Corporation, Syracuse, N. Y. The contents of the folder amplify its title.

Personal Loan Ratio

What would be a reasonable loss ratio for a personal loan department in a bank?

THE general procedure is to set up a reserve at the rate of $\frac{1}{2}$ of 1 per cent of volume and to try to keep the actual losses down to $\frac{1}{4}$ of 1 per cent. If the losses are much below $\frac{1}{4}$ of 1 per cent of the gross volume per year it would be an indication that the lending policies were too strict. There is such a thing as losing more through endeavoring to avoid any losses than would result from recognizing and providing for them.

Trust Costs

Has a satisfactory system of trust cost analysis been worked out for internal use of a moderate sized trust department?

IT is impossible to apply mass production cost finding methods to job costs. Yet that is what is being attempted by some trust departments. The principal costs in a trust department are definitely job costs. These are the special services performed for the individual trusts. It is absurd to say that two decedent estates of \$100,000, one of which is composed entirely of Government bonds and the other of realty, carry the same costs. Furthermore a difference might occur in the expenses of two such estates with identical assets because of the attitude of the heirs.

There is no way that these service costs can be properly allocated by mass production—that is, average cost finding methods. The only trust department costs which can be so allocated are those of a routine nature, such as bookkeeping entries. The other services must be allocated on the basis of the time of those performing the services.

For this purpose the departmental cost records can be divided into four to eight main divisions and sub-divided between routine and services. This requires that trust officers keep a record of whom the services are performed for. However, this is no more than is required of any other professional man.

Posting Rate

How many postings should a bookkeeper on the commercial books make per day?

TO a large extent this will depend on the method used. It takes at least six times as long to locate an account,

insert the sheet and put the old balance into a machine as it does to post an item. This being true, it naturally follows that the more often accounts are "pulled" the fewer postings can be made per bookkeeper.

Another factor which must be taken into consideration for the same reason is the average posting per account. One bookkeeper whose ledger is composed of large active accounts averaging, say, 50 postings per account should make more postings per day than one whose ledger averages 5 postings per account. Because of these things, 750 postings per day might be excellent in one case

while 1,200 would be only fair in another.

Single Postings

What are the advantages and disadvantages of single postings to commercial accounts?

THE greatest advantage of single posting is the elimination of duplication of effort. The dual system was originally started as a check against mispostings on the presumption that two people would not make the same mistake. Single posting with "sight

JUDGMENT

The exercise of good judgment is always a vital factor in preventing loss. However, judgment alone can never dispel uncertainty—that's the job for insurance. When your policies are in Fireman's Fund or a company of its Group you have a right to feel secure. With \$41,000,000 assets and \$23,800,000 policyholders' surplus, Fireman's Fund alone has paid out over a quarter of a billion in claims since 1863. Ask your Home-Town agent.



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STABILITY

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FIREMAN'S FUND INSURANCE COMPANY

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OCCIDENTAL Insurance Company

STANDARD STOCK
Standard
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FARMY INSURANCE

FIREMAN'S FUND Indemnity Company
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OVER 11,000 HOME-TOWN AGENTS

More "On-Time" Calculations per Pay-Roll Dollar with MARCHANT



29th year

Unprecedented SILENT SPEED FACTS

Account ANALYSIS:

Given test results: earnings rate, avg. ledger balance, avg. float, MARCHANT gives you an **ANALYSIS**, avg. collected balance, avg. earning balance, and monthly earnings—**ALL 3 INSURE** at once!

Note: Similar results in same time if starting with dollar-day balances.

Asset EVALUATION:

Given \$100,000 par 5% semi-annual coupon bonds bought Jan. 11, '39 for 67.16340 and interest yield 11% maturing Dec. 31, '44—MARCHANT gives you in **9 MINUTES**—

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paying" and "pre-listing" provides the same duality of check if the posting is done by one operator and the "paying" by another. The greatest disadvantage claimed for single posting is that a customer's exact balance is not shown during the day, as the balance on the statement must be adjusted by the unposted debits and credits. If the majority of accounts in a bank were "border-line" accounts, this would be a real handicap to single posting. As a matter of fact, however, such accounts are a very small minority, which makes this objection more fancied than actual. It is the opinion of this department that the advantages of single posting, particularly with photographic equipment, are considerable.

Insurance Collateral

What steps should be taken to protect a bank's interest to the greatest possible degree in making loans with insurance policies as collateral?

1. THE amount of the return premium should always equal or exceed the unpaid balance of the loan.
2. Payments should be so arranged that there is a leeway of 30 to 60 days between the due dates on loans and the dates cancellation is necessary.
3. A tickler system showing such cancellation dates.
4. Authority to cancel policy and power of attorney given to banks by assured at time loan is made.
5. Insurance company should immediately be notified of this assignment and power of attorney.
6. Where a third interest might interfere with the bank's right to collect return premium, a waiver should be secured from such third interest.

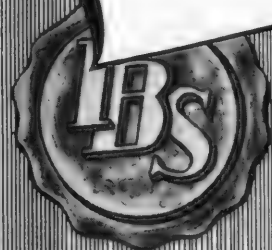
INDIANA BANKER

Albert J. Wedeking, cashier of the Dale State Bank, Dale, Indiana, is the new president of the Indiana Bankers Association



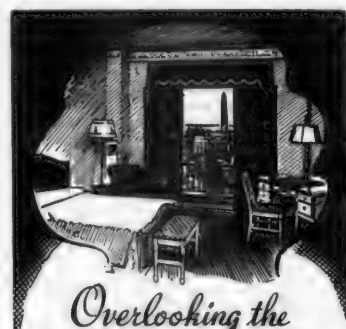
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Inventory Audits

THE American Institute of Accountants has adopted the report of a special committee on auditing procedure which recommends, among other things, corroboration of inventories by physical tests "as normal audit procedure."

The committee also recommended that in cases where accounts receivable constitute a significant proportion of current assets, conformation be obtained by direct communication with the debtor.

Other subjects covered by the committee were the appointment of independent certified public accountants and the form of their reports. A short form of report was recommended.

The Institute announced that the committee's work represented fulfillment of a promise by the executive committee last December which stated that "in the interest of the public and the accounting profession", it would carefully review customary auditing procedure. This statement was related to widespread public discussion of the accounting factors involved in the McKesson & Robbins case.

Adoption of the report by the council

means that body accepts the report as a statement of the best accounting practice for the future.

Where the C.P.A. has not made physical tests or seen them made, "he shall make suitable explanation or exception in reporting on the financial statements of a concern over his signature."

The independent certified public accountant is also expected to offer suitable explanations for not making confirmation of receivables by direct communication with the debtor, in cases where this procedure is to become normal.

With regard to the appointment of the independent auditor the report said:

"Your committee suggests that the independent auditor should be engaged or nominated by the board of directors.

"Some prominent corporations have adopted the practice of having the independent auditor elected annually by the stockholders. Other corporations have provided that the stockholders be given an opportunity to ratify the selection made by the directors.

"Your committee believes that the auditor should be appointed early in each fiscal year so that he may carry out part of his work during the year."

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TO KEEP
OLD RECORDS
SAFE!**



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**"Why, I haven't
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for months..."**

Isn't it true that you, as a Banker, rarely see your most important customers? ... That your opportunities for contacts with the officers of the companies you serve are usually few and far between?

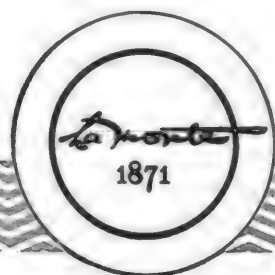
But your bank's CHECKS are constantly before these very men.

Your checks are handled, too, by the

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Make sure that your checks bespeak **safety and quality** for your institution.

Cement customer relations by specifying La Monte Safety Papers... the choice of outstanding business institutions from coast to coast, including more than 75% of the nation's largest banks.



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BANKING'S DIGEST—JUNE 1939

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A Tax on Public Bond Interest

HARLEY L. LUTZ, Professor of Public Finance, Princeton University, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS.

AS to Federal taxation of the interest on state and local bonds, my calculations show Federal taxation, at the present rates, on a volume of state and local debt equal to that now outstanding, would cause an annual increase of state and local interest costs of some \$113,000,000 above the present level. Secondly, the revenue to be expected by the Federal Government from such taxation was estimated by Under Secretary of the Treasury Magill at \$70,000,000 in 1937. My own figure is about \$120,000,000. An average of these results would be \$95,000,000.

My conclusion is that Federal revenue may be about equal to the additional interest cost to the states and cities, although there is a possibility that the revenue may be somewhat below or somewhat above that cost. There is no prospect that the Federal tax yield will greatly exceed the additional cost.

Concerning state taxation of Federal interest, in view of the fact not all states have an income tax, and also that in most of the income tax states the rates necessarily are moderate, it is estimated that as of 1937 debt and state income tax conditions, the states could expect a revenue of some \$17,000,000 annually by taxing Federal interest. The effect of subjecting Federal interest to state taxation would be to increase Federal debt costs by about \$30,000,000 annually.

Therefore, with respect to the only important aspect of the problem, which is that involving inter-governmental taxation of bond interest, the results work out as follows:

States: Interest cost 113 millions, less revenue, 17 millions, loss 96 millions

Federal: Revenue, 70 to 120 millions, less interest cost 30 millions, net 40 to 90 millions

At present 12 states have no kind of income tax and, in two others, this tax applies to corporations only. In 1937 the 12 non-income states, with their subdivisions, had total gross debt of \$5,242,000,000. These states could obtain no advantage from a reciprocal tax plan, yet the effect of the Federal tax on their bonds would be an annual increase of interest amounting to \$31,453,000. It is evident, therefore, that for the reciprocal tax plan to be fully effective, all of the states would be obliged to enact taxes on income.

The most severe impact of the Federal tax on state and local bond interest will be upon the cities. The gross state debt now totals only about 17 per cent of all state and local debt. The remainder consists of local obligations, and the debt of cities comprises more than half of the grand total. The sad condition of municipal budgets is well known. How much improvement can be expected here no one can say, but it is clear that in many of the income tax states, the state treasury would benefit from such revenue as produced by the tax on Federal interest, while the cities would face the task of raising the money to finance the higher cost of borrowing caused by the Federal tax on local bond interest.

More Elastic Credit Policies

THERE has been a real change in the credit requirements of the nation which we should recognize. In fact, we have ignored this change much too long, and have permitted much ground to be lost in favor of Government lending agencies and finance companies; we must immediately take steps to see that more of our business is not lost.

We should make up our minds to meet the changed requirements of our communities and adjust ourselves to fit them, not through unsound banking but by using the facilities available to us, and by bringing more elasticity into our credit policies.—JOHN A. SCHOONOVER, President, Idaho First National Bank, Boise, before the PACIFIC NORTHWEST BANKING CONFERENCE.



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Sound Rail Systems

W. AVERELL HARRIMAN, Chairman of the Board, Union Pacific Railroad Company, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS.

IN the early development of our railroads consolidation was the order of the day. Short lines were joined together to form through lines, and subsequently these were merged with others to form large systems. The best legal minds advising railroad management did not consider these mergers as infringements of the Sherman Anti-Trust Law.

Then, some 30 years ago, came Theodore Roosevelt, who was riding to political glory on his "trust-busting" raids. As a result of a personal misunderstanding with my father he turned his attention to the railroads. Railroad mergers were depicted not as the development of sound transportation systems required for the public interest, but as the building of personal empires of individuals. The Union Pacific and Southern Pacific dissolution action was brought. The Supreme Court ordered dissolution based on a narrow construction of the law, disregarding, I believe, the rule of reason. This decision stopped the sound process of mergers.

Let me say in passing that I believe, and this belief is

shared by wiser men than I, that if mergers had been allowed to go ahead in their natural course, without political interference, we would today have substantially only four great railroad systems in the West—the Northern lines, the Union and Southern Pacific, the so-called Gould Lines, and a system developed around the Santa Fe. Useless and extravagant competitive building would have been avoided, the cost of transportation today would be lower, and the railroads of the West in better position to serve the economic interests of the country.

Adoption of the recommendation of the six-man committee, now incorporated in substance in a bill proposed by Senator Wheeler, will, I am satisfied, lead to the development of sound systems by voluntary mergers. These mergers will be proposed by men who understand transportation needs, and will be in the direction where there is the greatest economy and effectiveness.

I believe in the retention of competition in the railroad industry. The art has not been sufficiently developed to stand the inertia that comes from complete monopoly. On the other hand, retention of competition between main terminals is all that is needed.

Some Notes on Instalment Credit

E. J. BOYD, President, The Second National Bank, Warren, O., before GROUP 7, OHIO BANKERS ASSOCIATION.

CLEARLY instalment credit, properly administered, takes the tempo of the times. When employment is good, people are willing to make commitments for the future and loan volume may be expected to increase. When times are not good and employment is down, the reverse applies and some difficulties with payments appear.

On December 1, 1938, earnings on our bond portfolio were at the rate of 2.43 per cent, and earnings on our instalment loans were at the rate of 8.77 per cent, meaning that our rate of earnings on our bond investment account is only 28 per cent of what it is on instalment loans.

As a matter of fact, through all the years of our instalment loan experience a substantial part of our losses, perhaps over half, has occurred in other loans, not originally made in the department, but from work-out propositions on loans in the regular loan department which were distressed and converted to this department in an effort to secure liquidation.

Our unsecured loans are made upon the basis of acquaintance with people, their credit records, and equities they may have in property—quite the same credit requisites as would be used by a bank in accommodation loans.

We do not approve of the co-signer loan, instalment or otherwise. When the maker fails to pay, the co-signer is displeased and difficult to deal with. We much prefer to have the borrower stand on his own feet.

We find that the applications for loans on new cars are coming from the more careful people; that many are for 50 per cent and less of the purchase price. We have no fear for the 24-month loan plan on new cars, provided the credit is carefully selected.

We are inclined to believe that any considerable rate of failure in the early life of the loan is indicative of poor credit policy. We are aware that there may be a short period in the early life of the new car loan when the owner's equity is limited.

Recently we worked out a few examples applying to our two year plan of loaning two-thirds of new car cost, plus insurance and interest charges. We applied it to three types of 1936 cars. In each instance we set down the amount we would lend (plus the insurance and interest charges) and then considered the balance of the loan at the end of the first year, against the N.A.D.A. value as applying at that time. We found that the amount of the loans at the end of the first year was more than we would make at the same time on a used car basis, but it was apparent the owner of the car had a fair equity.

Averaging the three examples, we found that our loan on those cars was 67 per cent of the N.A.D.A. value. Since at the end of the second year the loan is paid off and in each case the borrower had an increased equity remaining in the car, it becomes apparent that the loan is of better value through the second year.

Summing up, I would say experience indicates that a two-thirds loan on a new automobile with a 24-month plan of payment, offers some risk during the first few months, which should grow less through the balance of the period.

It appears there has been much question about the wisdom of loans on used cars. We find that no more risk attaches to a carefully made used car loan than to the new car loan, provided the credit is carefully selected. It is true that a larger number of applications come from the used car owner. We do find it necessary to reject a fair percentage of used car applications; rejections of loans on new cars are negligible.

Encourage Risk Capital

PHILIP A. BENSON, President, Dime Savings Bank, Brooklyn, and President, American Bankers Association, before the MARYLAND BANKERS ASSOCIATION.

A NEW philosophy of government seems to have had possession of us in recent years. It is a philosophy that assumes an all-wise intelligence capable of managing our vast economy better than can the many trained and experienced minds of diversified management. It is predicated on the assumed superiority of the purely intellectual man and it lives in the abstract. For six years business has been controlled from the abstract point of view, and during this time business has often been blamed for the lack of recovery and consequent unemployment.

It seems to have been forgotten that our complicated world requires many specially trained minds for its operation, that it takes a special type of mind to run our complex financial institutions, another type of mind to turn raw materials into finished products, and still another type of mind to organize and manage effectively large aggregations of men engaged in productive enterprise. It seems also to have been forgotten that all of America's achievements and its high standards of living have been produced under a system of free enterprise.

It is to the credit of the American people that after traveling for several years through a maze of modern economic abstractions they seem to be turning back to an appreciation of the value of the business order. There are definite indications of such a change in public sentiment that give hope of greater freedom for enterprise. But we shall have to be patient while public opinion develops and becomes reflected in the policies of government.

So we may feel encouraged. We are told that the program of reforms has been completed, that government is now interested in encouraging business as the best means of recovery. There seems to be a growing disposition in Congress to be more realistic about the retarding effect of excessive taxation and other anti-business measures.

It ought always to be remembered that every dollar taken in taxation is a dollar of purchasing power transferred from productive enterprise to the Government for unproductive enterprises; that every dollar taken in taxation could have been used to produce more distributable wealth.

There has been a great deal of talk about redistributing wealth, meaning generally the redistribution of the income of wealth. But this talk has been accompanied by measures, including taxation, that have restricted the creation of wealth. If we are to distribute more income we shall have to have more income to distribute and we can produce it only by creating more wealth.

The element that requires encouragement most is risk capital. We have heard considerable criticism of banks as institutions which have retarded recovery by withholding needed credit. But that is not the main source of trouble. Credit does not initiate business. Business initiates the use of

Guaranteed

BANKS today are giving the public a service such as has never been given to it by any other kind of institution. We are giving the public a guaranteed investment service. The public deposits its savings or surplus funds in our banks and we guarantee to repay them at par plus interest, and, moreover, on demand. When the public buys bonds it gets a promise to repay at par at some future date, plus interest. If it buys stock, it gets a partnership interest with no guarantees whatever.

There is a growing discussion of this situation which I hope will ultimately lead to a closer study of our savings deposits and methods of paying interest on them. In spite of the reward of interest, savings deposits are not growing in any appreciable degree and one wonders if we should not be meeting public needs more adequately if we adopted some plan of paying higher interest rates on accounts that remain unchanged for long periods and a low rate on the more active accounts. Providing greater rewards for thrift and building up a more stable banking structure would be meeting public needs in banking.—MR. BENSON, before the MISSOURI BANKERS ASSOCIATION.

credit. If business lacks the confidence to risk, it will neither seek nor use credit. The fact of the matter is that the credit facilities of the country are not being sufficiently used, as the experience of the Federal Reserve banks and the Reconstruction Finance Corporation in making loans direct to business will testify. Many of our banks are advertising for borrowers to come and use their loanable funds!

Our major trouble is not in the field of commercial credit but in the field of capital investment and I mean capital that will take risks. Risk capital simply is not working. Such capital only takes risks in the expectation, or at least the hope of profit. It ventures only in an atmosphere of confidence. It is this risk capital that is most needed at the present time and if it is to be employed should have a fair chance for profit.

So I say, if business is really encouraged we shall presently reach the stage where investment money will venture. When that happens, we shall "be on our way."

Of course, completely restored confidence will wait upon the other element, sound Government finance. Business does not ask a balanced budget immediately. It appreciates the difficulties and the shock involved in that. All it asks is that definite steps be taken in that direction; that economy begin; that a definite policy be put into and kept in operation. The best way to begin anything is to begin.

WE have been balancing the budget over the radio for six years, and we are farther away from a balanced budget than when we started.—NEIL CAROTHERS, Dean of the School of Business Administration, Lehigh University.

This Dizzy Decade

W. A. McDONNELL, Executive Vice-president, The Commercial National Bank, Little Rock, Ark., before the ROTARY CLUB OF LITTLE ROCK.

WE have all formed the habit during these tumultuous years of living under a tension, a tension caused by subconscious fear. This fear has been fed daily and continually by impressions being made upon us by what we read, hear, and see. The newspaper, the radio, and the news reel have combined to intensify subtly the fear that lurks in the subconscious. We need to relax and add things up, to reappraise values.

I recall once reading a poem written by a newspaper man who had spent a week in attendance at a political convention. After he had returned home and the tumult and the shouting had died in his ears, he wrote this little poem entitled "Canopus," which in part was like this:

"When quacks with pills political would dope us,
When politics absorbs the livelong day,
I like to think about that star Canopus,
So far, so far away.

Greatest of visioned suns, they say who list 'em;
To weigh it, science almost must despair.
Its shell would hold our whole dinged solar system,
Nor even know 'twas there.

When men are calling names and making faces,
And all the world's ajangle and ajar,
I meditate on interstellar spaces
And smoke a mild seegar.

For after one has had about a week of
The argument of friends as well as foes,
A star that has no parallax to speak of
Conduces to repose."

Perhaps it would do us all good to go out and look at the stars. Business men do not have much time for star-gazing, but possibly a little of it would be a good investment.

If, in repose, we appraise the situation calmly, what do we find? First of all, we find that business is definitely better. Business during the first quarter of 1939 was 22 per cent better than in 1938. With the single exception of 1937, it was better during this period than in any like period for 10 years! The recession has receded and is about gone. Radicals are no longer in the saddle in Washington; the theme song now is not "down with business", it is "appeasement of business". Of course, there is some indication that this word "appeasement" has been thrown out as a decep-

tive catch-word with no sincerity behind it, but the fact remains that the Congress and the executive branch are now thinking more of recovery than they are of reform, and you couldn't get an anti-business bill through this Congress with a carload of crowbars.

The Congress is reasserting its independence and is placing proper curbs upon the executive branch; it is finally demanding economy in government; "must" legislation has passed into the limbo of yesterday. The Supreme Court attack has been abandoned. Some say that the attack has been abandoned because those who made it are achieving their purpose by other methods. That may be so, but these other methods are within the framework of constitutional and democratic principles, and as long as evolutionary changes are held within these boundaries, we are safe.

The assault upon our dual system of independent banks has lost its force. Labor troubles still exist, but they are diminishing every day; the leaders of the two great labor parties, for years at each other's throats in a death struggle, are even trying to negotiate a peace. The "sit-down" strike has been branded by the highest court in the land for what it is—violence and mob rule. Gradually the emphasis in this country is again being laid on the spirit of independence which built this country, rather than upon the spirit of dependence which has in recent years threatened, by destroying the moral fibre, to tear it down again.

The national debt is at an all time high, but it has not reached the breaking point by any means, and it probably won't.

War clouds still hover over Europe; a madman is still loose, but he is gradually spinning the web which will in the end catch his wings and prove his undoing. History shows that when a nation begins to swallow minorities, it begins to swallow poison. From the dawn of civilization, the history of every man who would dominate the world by force has been the same.

And now, above all, calm reflection assures that democracy has not failed. The last year of this decade happens to be the last year of the 15th decade of continuous and successful democracy under our constitutional form of government.

The Bill of Rights, written 150 years ago, still stands unviolated.

The dizzy 30s are reaching a close. What the 40s will hold we do not know. But we do know that out of the welter of the past 10 years we have been toughened; we have been seasoned; we have become veterans in meeting trouble. We have learned lessons we will not soon forget.

New England Conscience

THERE is something inherently appealing about this thought of saving. I can remember—as a boy down in Maine—that my father set aside a part of every possible dollar, against the day he might need it. Not the proverbial "rainy day" saving, conceived in a spirit of caution only, but savings especially to be used for the day of opportunity. We were taught to save because saving not only meant money put into a savings bank, but character-building as well. At times it was not easy to forego the pleasures of youth, yet the goal rose squarely before our eyes, and we could not conscientiously turn our eyes away. Of course you know what is said about a New England conscience—it hurts, but I have faith in the pain.—

STYLES BRIDGES, U. S. Senator from New Hampshire.

Primitive Business Methods

W. F. GEPHART, Vice-president, First National Bank in St. Louis, before the BANKERS ASSOCIATION FOR FOREIGN TRADE as Association President.

BARTER, as is now being practiced so widely, is a poor substitute for normal international trading. It is only bilateral trading. It is a semi-monopoly and not a free and competitive exchange of goods. The one party, the seller, in order to dispose of a surplus product—usually that of the farm, the forest, or the mine—receives in exchange usually manufactured goods at high prices and frequently of inferior quality. He then sometimes finds that the purchaser of his raw products dumps them in the seller's normal market instead of using them in his own domestic market. Barter, as now practiced, is somewhat like a forced sale and in such sales one party almost always gets the better of the bargain.

Development of the barter system in international trade is an effort to overcome obstacles to trade. Such a reversion takes place only because of the breakdown of international credit and finance which formerly provided the modus operandi for such transactions. As long as there is available foreign exchange or credit acceptable to both parties to a trade, international trade can move in its customary manner. Barter is obviously a restriction of trade, inasmuch as trade is possible only when the party who wishes to buy is in

direct touch with the party who wishes to sell the particular goods in question. When other and normal financial methods are available, the buyer of goods does not necessarily have to be the consumer; he may be merely one of several middlemen who will never actually handle any of the goods in which he has dealt directly.

In the case of barter, however, it usually involves the physical exchange of goods against goods, instead of merely contracts of delivery which can be bought and sold in the market. Accordingly, the use of barter constitutes a reversion to primitive methods of doing business and to this extent is a step backward instead of forward. It is just as though money and credit should suddenly disappear in the ordinary exchange of goods between individuals. If one wanted to buy something one would have to use whatever goods or services he had to obtain what he needed and in addition find someone who was willing to accept these goods or services for his own use.

Obviously, such a condition would indicate a breakdown of that trust and confidence on which business is normally conducted, and that is exactly what has happened to international trade. In the years since the war, trust and confidence in international pledges and agreements have been broken down and as a consequence, business has reverted to those primitive methods where trust and confidence are not factors to the trade.

Real Estate Mortgage Hazards

WILLIAM A. MARCUS, Vice-president, American Trust Company, San Francisco, before the PACIFIC NORTHWEST BANKING CONFERENCE.

IF trained bank mortgage officials were asked to state the principal hazards to guard against when granting loans, I believe their composite advice would be:

1. Not to loan heavily on an over-improvement or an under-improvement.
2. Not to loan the legal limit on large, expansive residences. (Incidentally, I believe the \$16,000 limit set by the FHA on its insured loans on single family dwellings is an excellent one.)
3. Not to loan on property in blighted areas.
4. Special purpose buildings, including theatres, lodges, club houses, etc., make bad loans.
5. Hospitals and other institutional types of property are almost impossible to dispose of when they get into trouble.
6. Loans to churches should be made only after most careful consideration. Foreclosure in such cases creates an embarrassing situation and has a far reaching bad effect.
7. Hotels are usually unattractive security as their success is largely a matter of management.
8. Large industrial units of special design and single occupancy represent questionable security unless the buildings lend themselves to alteration suitable for other ordinary tenants.
9. Unimproved and unproductive land is not looked upon

as good security unless immediately convertible into productive use.

10. Subdivision loans are hazardous and should be confined to relatively small amounts even where building is assured in the near future, and then only when suitable paving, etc., has been installed and the property protected by adequate restrictions as to the buildings and occupants.

11. Loans on service stations should not be made except to strong oil companies themselves, or where the owner will assign an irrevocable lease of a strong company and repay most of the loan during the period of that lease.

12. Extraordinarily large loans to one borrower on any type of real estate security carry relatively a greater risk than the same total loaned in small amounts to many borrowers.

13. Don't lend on the hope or expectancy of future increased values.

14. Don't lend a borrower more than he ever hopes to or can repay.

Those "Stop, Look and Listen" items cover a lot of territory. I do not mean to infer that loans cannot be made on many of the types of property mentioned. If so, your field of urban loans would be narrowed down to small residences, flats, apartments, stores and average size industrial buildings. But experience shows that all special types of property contain an extra hazard and if you loan against them at all, your advances should be reduced in proportion to the extra risk.

The Accountant's Opinion

CLEM W. COLLINS, President, American Institute of Accountants, before the MASSACHUSETTS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS.

IT is altogether possible that accountancy has been "oversold". That is, a general belief has apparently developed that accounting procedures are, or should be, infallible. Medical science may have its defects, the principles of engineering may fail because of unforeseeable conditions, justice may miscarry because of malevolent human ingenuity, and even our spiritual destination may be uncertain as a result of the diversity of human understanding and belief, but, in the minds of many, accountancy seems to stand as the one science against which the machinations of the human mind should not prevail.

Accountancy is young and progressive. It can no more conform to stereotyped and dogmatic rules than can business which it serves. As the economic forces which direct the destinies of business become better understood, accounting procedures may be expected to be modified and amplified. The accounting profession does not claim to be perfect. It believes that its methods which have stood the test of time and experience are fundamentally sound, but if, as a result of recent events and the review that is now being made of current practice, it is found that its methods may be improved, it may be relied on to make those improvements. Again it is urged that the public and the members of the Institute withhold their judgment and defer their conclusions until the best thought on the subject may be obtained and substantial agreement be reached.

There is much evidence that the public misunderstands the nature and purpose of independent public accountants' reports. So far the courts have, in the main, given the proper construction to such reports, but there are continued attempts to hold accountants liable as guarantors. There is entirely too great a tendency to read the accountant's report, Chinese fashion, by beginning at the end, with this important difference: The reader too often does not read beyond the signature. If he finds the name of an accounting firm attached, especially if it is one he knows and in which

he has confidence, he is satisfied and assumes that everything is in order, and that every figure in the report may be taken at face value, although the report may be full of warning signals and qualifications.

It is still not understood that accounting is not an exact science which is able to produce a statement of exact values. The accountant's report is, in essence, nothing more than an opinion. It is, in practically all cases, a reliable opinion, but it is none the less an opinion: His training, skill and experience enable the certified public accountant accurately to interpret the records and the transactions which they reflect, with rare exception. But at some point reliance must be put on some factor which is incapable of complete verification and there must be a certain reliance on human integrity.

Experience has proved that with rare exception the opinion of the certified public accountant may be relied upon in such cases, but it should be better understood that his report is nevertheless an opinion.

There is no question that the public is entitled to know what we do and how we do it, but the erroneous idea that there is no body of principles or procedures uniformly understood and followed by the profession must be dissipated. Accountants understand the principles well, and employ them in their practice. What is needed is not the development of accounting principles but their codification. Change of accounting and auditing methods is not so much the need, as some observers suggest, but rather a better understanding of just what the scope of an accounting investigation is, what assurances the accountant intends to give and what responsibilities he can reasonably be expected to assume.

It seems obvious that minimum audit procedure should be established and should be made known to all interested persons. Complete audits are seldom made. The cost of such audits would be prohibitive and the value questionable. In practically all cases well organized tests are quite as effective and revealing as complete verifications, and the policy of testing has become established practice among accountants. It is doubtful if those who use accountants' reports fully understand this fact.

New Types of Banking Service

JAMES H. PENICK, Executive Vice-president, W. B. Worthen Company, Bankers, Little Rock, before the MISSOURI BANKERS ASSOCIATION.

THERE is no reason for bankers to feel that their business has been ruined, changed beyond redemption, or that there will be no particular profit in the financial field in the future. Banking is and always has been a changing profession. It started as a method of supplying a safe place for gold or silver and has changed to become a supply of credit for commercial transactions, real estate purchases and short-term personal loans.

At the present time it is acting as an investment trust for the furnishing of various financial help, the supplying of

credit to the Government and the means of making available a check currency for this country.

Bankers have always been intelligent enough to make a profit out of whatever type of banking business the commercial life of the country demanded.

I see no reason to think that we cannot continue to make a profit out of the type of banking service that we are asked to render. I see no reason to think that the banks cannot expand deeper into the supplying of consumer credit, into the supplying of new types of banking service, into the supplying of personal loan credit; and by this extension of the field and the use of common sense, develop earnings that will take the place of those lost by the absence of large blocks of industrial credit that was supplied in the past.

The Only Sound Solution

JOHN W. HANES, Under Secretary of the Treasury, before the INDIANA BANKERS ASSOCIATION.

THE economic history of our country points clearly to the only sound solution for unemployment, for weak capital markets, and for unbalanced budgets; that solution is the creation of a healthy, prosperous economy whose maximum powers can be generated only under profitable private enterprise.

History proves further that whenever business profits were substantial, farm and labor incomes were generally high and Government revenues consistently increasing. When the profit system was functioning smoothly, we made lasting gains in security and in the building of what we recognize as our material civilization.

Profits earned by business are customarily spent on producers goods—land, buildings, machinery, tools, etc. Profits thus plowed back into business form the basis for attracting additional credit resources and investment by the public.

Because such earnings can be capitalized at 10 to 20 times their amount in new capital issues, \$100,000 of profits will make possible the purchase by industry up to \$2,000,000 worth of capital goods. This capacity of earnings to generate a multiple of dollars in spending power for every dollar of profits is a quality which we should never ignore.

It is partially because we have had small profits during the last decade that we have experienced terrifying idleness of deposits, low production, unemployment, lack of investment in venturesome enterprise, and reduced national income.

I repeat that it is only by increasing industrial production through the maintenance of conditions under which private enterprise may make reasonable profits, that our existing ills may be cured. What other economic force besides profits has the almost miraculous quality of making a dollar of earnings do the work of many times its number?

There is current today a great deal of loose talk, of a highly pessimistic tone, to the effect that there are no longer any opportunities for investment. This, I think, is nonsense made credible by the strain of depression years. Full business recovery is so long in coming that we conclude it never will come.

Like the French and British soldiers during the War who became so conditioned by trench warfare that they could not take the offensive, we have been on the defensive so long that we cover up our unwillingness to take chances by saying that there are no opportunities. Only a few weeks ago I heard Mr. Kettering of General Motors describe before a distinguished group of Senators and Congressmen the new industries that could be started now with the discoveries and inventions of the past few years. They are too numerous to dwell upon. It is highly important, however, that capital

From Uncle Sam's Pockets

ONE of the greatest races in America today is not the Derby in Louisville. The greatest race for the past six years has been the race of governors, politicians, and statesmen on the track of Congress, jockeying for place and position as they struggle for the credit and currency of the Federal Treasury. My home state, North Carolina, within the last six years, has received in grants, loans, subsidies, relief, and what not, from Uncle Sam, the amazing sum of over 450 million dollars, and Indiana has not been asleep in this period. You have received more than 730 million dollars for the same purposes from the pockets of your Uncle Sam.

I merely mention this encroachment of the state governments upon the Federal Treasury. I do not set it up as a defense or justification of an unbalanced Federal budget. I do think it throws some light on the fiscal difficulties confronting us in the Treasury.—
Mr. HANES.

should have an adequate incentive to enter venturesome enterprise.

We are confronted today with a great surplus of capital which does not desire to take a chance, and a distinct shortage of that which does. Venturesome capital is needed to induce the investment of cautious capital. New enterprises can be started and old ones that are subject to rapid changes can be continued only with capital willing to take a chance. Moreover, even our most stable industries need a margin of enterprising capital willing to absorb the shock of the risks to which even those industries are subject, in order to permit them to secure senior capital through the issuance of bonds and preferred stock. The employment of a dollar of venturesome capital may permit the employment of several dollars of senior capital, but if no one is willing to take a chance, projects may be abandoned even if the earnings prospects are promising.

The fact that despite an abundance of capital, there is no willingness to supply these assets, means that there are obstacles in the way of profitable investments. Some of these obstacles are, of course, beyond our control; others are beyond our vision; some, however, are of our own doing and can just as well be undone.

There are a number of places where sympathetic action by government might help restore courage and willingness to launch out in new enterprises. It is essential that we direct our energies toward every move that will encourage our people to invest in enterprises which will put men back to work.

Who Fills the Pot of Gold?

TOO many think only of their rights and the obligations of the Government to them, rather than of their duties and responsibilities to the Government. Too many are reaching out to grab a share of the Government's pot of gold, forgetful that that pot only can be filled by taxation of the earnings of the country, which all must pay.—FRANCIS E. FROTHINGHAM, Investment Banker.

Service for Trust Customers

GILBERT T. STEPHENSON, Director of Trust Research, American Bankers Association, before the VIRGINIA BANKERS ASSOCIATION.

IF banks could operate trust departments under ideal conditions, then trust property would consist only of cash and readily marketable securities. But the bulk of property that men leave, certainly in the agricultural states, is real property and tangible personal property—farms, stores, small factories, live stock and farming implements.

One of the misgivings that people still have of the bank as executor and trustee is that, promptly after the death of the testator, it will close the business, sell the property, real and personal, for what it can get for it, invest the proceeds in governments, and there stop. People fear the bank will be a liquidator and not an administrator or manager of the estate.

Many trust customers expect their bank as executor or trustee to do the impossible, to take over and carry on the business, to take chances as the owner himself did. This is expecting too much. At the same time, the customer has the right to expect of his bank to be more than a mere liquidator of his estate. It has a right to expect the bank to be a reasonably careful, prudent, skillful manager of his property.

A bank should develop property management facilities. This means facilities for carrying on farms, stores, factories, not indefinitely or indiscriminately, but until they can be closed out or turned over, not at a sacrifice sale, but at a fair price. I know one medium-sized trust department in Nebraska that is managing 800 farms ranging in size from 40 to 1,500 acres. I do not suggest that trust departments in agricultural states should go into the farm management

business or bid for farms to manage. If they serve their customers well, they unavoidably will have plenty of farms to manage. They should man and equip themselves to manage these farms relatively as well as they manage stocks and bonds.

Another thing that people fear about the bank as executor or trustee is that the service will be impersonal. They fear that everything will be reduced to routine, that there will be nobody they or the members of their family can talk over things with in an informal, understanding, human sort of way.

We who are on the inside of trust business know that this fear is largely unfounded. The largest trust departments, as well as the small ones, are manned to render the very sort of personal service that trust customers want or need. Trust officers are chosen for their personal, no less than for their financial or business, qualifications. Trust customers do not know all this. Sometimes they fail to make use of the personal services that are available to them simply because they do not know that they are expected or welcome to do so. Have we not been remiss in acquainting our trust customers with the personal services available to them?

The bank owes it to its trust customers to disarm them of their fear of the impersonal quality of trust service. In so far as possible, the bank should enable the customer to deal with one person only who is thoroughly familiar with the personal as well as the financial and business side of his accounts. The bank should beware of letting the customer feel that his affairs are not of enough importance to merit the attention of a senior officer, by passing him on to a person who is a stranger or to a different person each time he or she comes in.



Here to Stay

ITHINK the increased volume of long-term loans is here to stay. Under our present financial organization this trend is unlikely to have serious consequences for the liquidity of the individual bank, and it may be welcomed as tending to make the banking system more serviceable to the national economy. It does, however, impose a greater responsibility on bank management to protect the economic structure from the evil effects of misdirected investment, which it is to be hoped will be recognized and accepted.—A. P. L. TURNER, JR., Assistant Professor of Economics, University of Montana.

The Will to Save

IT is to the future that we look for a better stabilized plan of business, which we earnestly hope will do away with unemployment and create the means for consistent saving, the one true and sure road to a measure of financial independence. The will to save, to conserve for tomorrow, is alive and at work everywhere. The number of new, small accounts opened in mutual institutions provide unfailing proof of the public disposition to carry forward in the American spirit.

The old-fashioned ambition to succeed by personal effort lives on, and I say that it never shall die. The American people have not lost their initiative. Rather, we are more enlightened, inquiring and eager than ever before. No matter the ideals that underlie social security and a dozen other forms of state protection, the fundamental protection both of the individual and the state forever must be personal striving, plus personal thrift. Nothing can take the place of that.—HENRY R. KINSEY, President, Williamsburgh Savings Bank, Brooklyn, N. Y., before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS as President.

Everybody's Business

JEAN C. WITTER, President, Investment Bankers Association of America, before the CENTRAL STATES GROUP CONFERENCE, I.B.A.

IT is the function and obligation of investment banking to finance the necessary reconstruction of our national factory. The slogan "Sales mean jobs" has been spread from coast to coast. Normally we might paraphrase it and say, "Sales of bonds and stocks make new jobs."

This country needs many millions of new jobs and for the typical job in industry a total of \$8,600 must be invested in tools and equipment. This is the estimate of Colonel Leonard P. Ayres, and other authorities substantiate it. In other words, investors have to buy almost nine \$1,000 bonds, or 86 shares of \$100 stock to finance a single new job.

Real recovery will come when concerns all through the country start installing additional machinery which will provide new jobs in their own plants and at many other points, because it would also mean jobs for the men who make machinery and build factories. And, of course, the core of depression unemployment is in these so-called capital or producers' goods industries.

The public and investment banking will have to be ready to work together, and smoothly, when industry starts to repair its neglected facilities. It takes the savings of a tremen-

dous number of people to supply capital to trade and industry in the amounts that modern big-scale operations require. Think a moment about how our great factories are financed. Who puts up the money?

For 12 years prior to the depression there was an average annual sum of three and three-quarter billion dollars that flowed from the individuals who had saved it, through the investment banker, into the purchase of newly issued bonds and stocks of business corporations. Those were strictly new capital funds for American industry and went to build buildings, to buy machinery and equipment. That is the way jobs are made in the United States.

It takes many investors to buy three and three-quarter billion dollars' worth of new securities, but for 12 years to 1930 American investors bought bonds and stocks in those amounts annually. Consequently there were millions of new jobs created.

Since 1930, however, there has only been a scant \$700,000,000 (or about one-fifth of the usual amount) flowing annually into industry through investment in new securities. There has been a parallel deficiency of new jobs in industry.

I think that we can make everyone see that it is really everyone's business to encourage the flow of new capital that has been lacking for eight years.

Helping the Railroads

MARION M. CASKIE, Chairman, Interstate Commerce Commission, before the NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS.

THE railroads have made much of the fact that average ton-mile revenue fell each year from 1923 to 1937, and in the latter year was only 31.5 per cent above the 1916 level. Such comparisons are misleading, for the fall in the average since 1923 has been caused largely by the fact that in recent years the railroads voluntarily reduced many rates to meet highway, water and pipe-line competition, and have increased the severity of competition between themselves. The rates, however, on the traffic which still is affected little, if at all, have remained up. It is of these non-competitive rates that shippers complain.

There is gross exaggeration in the idea that every act of the railroads is subject to regulation. The railroads have a large degree of initiative in the making of their rates, and freely have made a multitude of reductions to meet competition. There is only limited regulation of their freight service, and the management of most of their affairs is not under Government supervision.

Many entertain the view that the great trouble with the railroads is their heavy load of indebtedness and fixed charges which precipitates or threatens bankruptcies and destroys or impairs credit. They believe, therefore, that an adequate solution of the "railroad problem" will be found if this burden can be removed or at least greatly reduced.

That reorganizations would be helpful is quite clear. That they will constitute an adequate remedy for railroad troubles is not at all clear. While the present heavy indebtedness has

been an important contributory factor to railroad distress, it has not been a primary cause, and reduction of the indebtedness will not go to the root of the matter.

If railroads are to be operated successfully under private ownership, they must have earnings sufficient to make not only their bonds but also their stock attractive to investors. Otherwise, debt will mount until the bonds lose their attraction and the country's carriers again will be on the road to bankruptcy.

Three principal reasons account for the slowness in effectuating reorganizations: The financial structure of most large railroad companies is exceedingly complex; since the beginning of the depression, the future earnings of the railroads have been so impossible to forecast that the preparation of just and reasonable plans of reorganization has been extremely difficult; in the initial administration of any new law, legal questions arise which hinder progress until they are determined.

The present railroad set-up, with its great number of independent individual carriers, inherently is wasteful; and real and important opportunities exist for economy and efficiency of service by consolidation or coordination or a combination of both.

If the railroads were prosperous and the dominant factors in transportation that they formerly were, such opportunities might be ignored. But that day is gone, and the choice for the railroads is between continued retrogression and the marshalling of all resources in an endeavor to progress, if possible, and at least to hold their own. The opportunities which consolidation and coordination present must be utilized.

Credit Facilities to Spare

ROBERT M. HANES, President, Wachovia Bank and Trust Company, Winston-Salem, N. C., and First Vice-president, American Bankers Association, before the CHAMBER OF COMMERCE OF THE UNITED STATES.

MUCH of the criticism heard about the insufficiency of credit is directed against commercial banks, in spite of the fact that business and industry have not availed themselves of the extra facilities for credit placed at their disposal by the Government.

Early in the depression Congress relaxed the requirements of the Federal Reserve System to permit the Reserve banks to lend more freely to the member banks of the System in order to enable them to accommodate their customers. In June 1934 the Reconstruction Finance Corporation and the Federal Reserve banks were authorized to make loans directly to business and industry either with or without participation of commercial banks in the loans.

According to the April 1939 issue of the Federal Reserve *Bulletin*, these two nation-wide agencies had outstanding at the end of January \$125,000,000 of these loans to business. This is less than 1 per cent of the total outstanding commercial loans of the banks of the country.

In the light of the experience of the Federal Reserve banks and the Reconstruction Finance Corporation it is evident that the commercial banks are doing an adequate job of supplying the country's business firms and institutions with necessary credit. There would hardly seem to be any need for additional credit institutions to serve business.

Not only are present institutions adequate but the supply of credit is much more than adequate. Indeed, banks are spending thousands of dollars advertising for loans, and devoting a great deal of time to solicitation among their business customers and neighbors.

In a recent study made by the American Bankers Association it was indicated that 86 out of every 100 commercial banks are making definite efforts to stimulate loans; that 74 out of every 100 advertise and 63 out of every 100 make individual solicitations. The study also indicated that only 31.6 per cent of the open lines of credit offered by banks to customers is being used.

The survey showed that 83.6 per cent of the banks are extending personal loans, the average size of the loans being \$190, and that 62.7 per cent are granting instalment loans, the average loan being \$159. Half of the banks make FHA loans and half real estate loans without FHA insurance.

The study showed a significant growth in the practice of making term or intermediate loans to business—that is, long term credit. Twenty and one-half per cent of the banks stated that they make such loans, the average per bank being 55 aggregating \$73,732 per bank. The average size of the loans is \$1,343.

Analysis of the returns of the study by size groups shows that small banks are making capital loans in amounts commensurate with the needs of the small business men of their communities, while the larger banks are extending such accommodation in substantial amounts. This type of lending is growing rapidly in banks all over the country.

Less than a year ago one of the large public financial institutions of the country, authorized by law to make loans direct to industry, sought to ascertain the possibilities of

Organized Effort

WITHIN the business of banking there are also many problems. The need for better standards of management, safeguarding the banking system against mistakes of the past, decreasing loan volume and low interest rates, large holdings of bonds in bank portfolios, higher operating costs and taxes, voluminous legislation and regulation, the necessity of adapting banking services to changing needs—these are conditions that challenge the ingenuity and intelligence of banking executives. We cannot hope to deal successfully with these conditions except through organized effort.

Today the American Bankers Association, representing in its membership more than 80 per cent of the country's banks, is directing its energies and its resources to the problems presented by these situations, and in so doing is rendering both banks and the public a very distinct service. Through this Association we attack our problems with a united front; through organized and combined effort we are accomplishing results which no smaller group could possibly attain.—Mr. HANES before the INDIANA BANKERS ASSOCIATION.

making working capital loans to businesses which indicated a need or desire for credit. This institution worked in cooperation with an organization of smaller business men in an eastern metropolitan area. The little business men's organization, in an effort to prove a need for credit among smaller business concerns, broadcast a questionnaire and received about 6,000 responses. The lending institution began a thorough review of the information contained in these 6,000 requests for credit and discarded 4,000 as being unworthy of consideration, even without investigation.

A list of 100 names was finally gathered, representing those that appeared to have some merit to their cases. The inquirers were invited to call and discuss their needs. Only 55 responded and of these only 12 proved to have eligible cases worthy of consideration. Of these 12, four had not discussed the matter with their own banks of deposit and were referred to their local bankers. Application forms were submitted to eight, and after some lapse of time only one had made application for a loan of \$1,000, which was granted. In other words, out of 6,000 requests the lending institution was able to find only one legitimate case of credit need that was not taken care of by some institution.

These surveys and others prove very definitely that what is needed or desired by those claiming a dearth of bank credit, is not credit, at least not in the true sense of that term, but that the need, or wish, is for capital, a stake, or perhaps a subsidy. Credit can never replace management; credit is justified only when management has a reasonable chance of succeeding. Money put into business where it is exposed to a high degree of risk, is no longer credit, but capital, or perhaps a subsidy, or in some cases a gift. It is evident that supplying such money is beyond the sphere of operations of a legitimate credit agency.

Earnings from Liabilities

H. C. SAUVAIN, Professor of Finance, School of Business Administration, Indiana University, before the VIRGINIA BANKERS ASSOCIATION.

IT seems to me that we are stuck with the necessity of holding a large part of our earning assets in the form of capital-type loans. The basic problem, then, is how to run a bank on assets of this kind and still make enough profits to have a healthy institution.

If we can't safely squeeze the necessary earnings out of available assets, we've got to do it some other way. Anyone who can read a profit and loss statement knows that there are just two ways to increase earnings. One is by increasing gross sales and the other is by reducing expenses. I think that the commercial banks have ample opportunity to do both.

One of the habits of thought of bankers is that earnings have to be obtained from the asset side of the balance sheet. That isn't necessarily true. Look over at the liability side and what do you see? You see a lot of deposits which you're keeping for people. You render them a valuable service in keeping their money safe, don't you? Furthermore, many of them have the privilege of drawing checks on their deposits and you perform the service of transferring funds to other people whom they designate. You also collect your depositors' checks for them and provide various other services for them.

I think that one of the weaknesses of commercial banks today is their failure to capitalize on these services to the full extent possible. It is true that banks have generally adopted service charges, but you've only scratched the surface. The public needs and must have the services of banks as custodians of funds and as agencies for the transfer of funds. It seems to me that this is the great economic need which is the principal justification for existence of the present banking system. You're not needed any more to provide short-term credit to business, at least not to any great extent. And all this flow of bank funds into bonds and other types of capital assets has been purely incidental. You are needed to provide banking service to the public.

Will the public pay for banking service? We cannot escape the fact that the public has long been accustomed to receiving banking services free of charge and that there is a natural resistance to paying for it. Similarly people would object very strenuously to paying for the air they breathe because they are accustomed to getting it free, but if somehow the supply of free air were shut off, they would pay very quickly to get some. That's about the situation with respect to service charges. Banking services are indispensable to the public and therefore the public will pay if the banks simply have the courage to ask them to do so. Experience with service charges to date demonstrates that proposition, and in my opinion indicates that banks can go much farther than they have in charging for their services.

When you shift your attention from the asset to the liability side of the balance sheet in your search for means of increasing earnings, you also remember that one important item of expense is interest paid on deposits. If you could cut out that item entirely, your earnings would be very materially increased. Can you cut it out? Of course you can. The payment of interest on deposits is an archaic practice.

Bank of the Future

THE modern bank, as I visualize it, is one which does not pay interest on any kind of deposits, with perhaps a few special exceptions, and which has a system of service charges actually making the public pay for the banking service it gets. This bank is not so hard pressed for earnings that it has to take undue chances with depositors' money. It keeps a rather large portion of its deposits in primary reserves in order to insure liquidity. These primary reserves are non-earning assets, but that's all right.

This bank has a portfolio of securities, but all of them are high-grade and a conservative proportion are of short maturities. This portfolio doesn't earn a very high rate of return, but it doesn't have to. The bank also has some real-estate mortgage loans and perhaps it has made a few capital loans to local enterprise, but all of these commitments represent first-class credit risks. The management hasn't relaxed its standards of conservatism in order to get a little higher rate of interest.

That's the kind of bank one might dream about. That's the bank of the future. That's the kind of a bank which will justify and perpetuate the American system of independent unit banks.—DR. SAUVAIN.

It's a hangover from the days when you could loan out most of your money in good commercial loans at 6 per cent. Then you could afford to pay for deposits. Today you can't. I don't think the average bank should pay interest on any type of deposit, with the possible exception of genuine thrift accounts and in some cases public funds.

One of the greatest weaknesses of commercial banking in recent years has been its unwillingness to accept this proposition. Times have changed, but habits of thinking have not changed. Banks always used to pay interest on deposits, so many people seem to think that they always should. So slow and reluctant have been the bankers to admit the need for changing their practices that the Federal Government had to step in and stop the payment of interest on demand deposits by member banks by making the practice illegal. In other words the banks had to be coerced into doing what was necessary for their own good. That is a sad commentary on the progressiveness of commercial bankers generally. Governmental action has largely solved the problem as far as demand deposits are concerned, but it still exists with respect to time deposits. Most banks are continuing to pay the very highest rates they possibly can for this type of deposit.

Now I don't mean to be entirely unsympathetic. I know the story about competition for deposits. You're afraid that if you cut the rate on time deposits you'll lose some accounts.

Most of the fears of banks about loss of deposits from reducing or eliminating the rate of interest paid are greatly exaggerated. I do not know of a single case where a bank which has tried it has actually suffered, and I know of several which have benefited greatly.

Briefly—

THERE are not at present in Europe problems big enough or acute enough to justify a war that by logical development would spread from Europe and become a universal event.—Premier MUSSOLINI.

BANKERS, being hard put to it in the matter of earning dividends, will do well to watch their steps lest they make loose loans, thereby gaining on the interest side but losing down the line on the principal.—FRANCIS MARION LAW, President, First National Bank, Houston.

INDUSTRY, with all its specialization, is developed primarily to serve the material requirements of society, with the least time and effort of human beings and under the best possible working conditions. This is the main function of industry, not profits.—GERARD SWOPE, President, General Electric Company.

A GOOD public speaker is a great asset to any bank, and every financial institution should have one person who is able to state clearly and sincerely the facts about banks and bankers.—Mrs. MARY G. ROEBLING, President, Trenton (N. J.) Trust Company.

THE need for the public to know the facts is greater than ever; for the world today can be set on fire quickly unless people know the truth quickly.—JOHN S. McCARRENS, President, American Newspaper Publishers Association, and General Manager, Cleveland *Plain Dealer*.

WE cannot halt the progress of autocracy by copying its methods.—ERNEST T. WEIR, Chairman, National Steel Corporation.

IN my opinion we are paying too high a price for security under any Federal program which, by enabling people to lean too heavily on the Government, helps to destroy initiative, enterprise and self-reliance.—JOHN A. STEVENSON, President, Penn Mutual Life Insurance Company.

I THINK we can and should support the President's appeal for a peace conference, and urge him to take such advantages of further discussion as Mr. Hitler's reply offers.—ALFRED M. LANDON, former Governor of Kansas.

FRANKNESS compels me to admit that the difficult task of retrenchment in Government expenditures cannot be accomplished without the active interest, encouragement and support of the citizens of the country. If economies are to be employed by this Government—if expenses are to be reduced—it will be because such a sentiment has been created back home and new demands made upon the Congress for such a policy.—Senator HARRISON of Mississippi.

IN this country American journalism, with all its faults, is the only free, unfettered, unbossed, unlicensed vehicle through which, one way or another, finally and surely, the truth comes to the American people.—WILLIAM ALLEN WHITE, Editor.

THE fact that the ultimate resources are in the democratic countries, as the science of geology has shown (some-

thing like three-fourths of the coal and the metals, the ultimate sources of power, being in these countries), and that these countries can be and already have been roused to defend themselves—that is the great influence that makes for continued peace in the world today and that gives promise that a permanent method of assuring peace may ultimately be worked out.—Dr. ROBERT A. MILLIKAN, Physicist, and Chairman of the Executive Council of the California Institute of Technology.

THE kind of President that is needed is a man who would go in, do the best he could and have no thought of his renomination or reelection. The man who would go in and clean up this mess would be about as popular as Gillette at a barbers' convention.—ALFRED E. SMITH, Former Governor of New York.

WHEN we have these three essentials—men, money and materials—with nothing for them to do, it can mean only that we are way behind in developing new products to put them to work.—CHARLES F. KETTERING, Vice-president in Charge of Research, General Motors Corporation.

A GOOD judge does not want patronage; a bad one should not have it.—FRANK MURPHY, Attorney General of the United States.

EXPOSE them (school children) to eloquence and bring them to look upon it with suspicion. Teach them the dangers of its great persuasive force. Get them into the habit of resisting the destructive emotions it can arouse. We cannot start too soon to resist irrational propaganda.—BERTRAND RUSSELL, English philosopher.

BASICALLY, there is no primrose path to that goal (a better America). Hard work, self-discipline, new products and increasing production will help us. Experimental legislation, deficits, propaganda and unnecessarily high taxes will not help us.—W. GIBSON CAREY, JR., President, U. S. Chamber of Commerce, and President, Yale & Towne Manufacturing Company.

THE problems that concern us at this moment are only the reproductions on a larger scale of the jealousies and suspicions of everyday life.—The DUKE of WINDSOR.

THERE is no doubt that it is essential for both Italy and Germany to increase their trade with the democracies, and this means that their governments must so conduct themselves as to gain the confidence of the individual business men in the democracies. The only alternative would appear to be to attempt to increase their supplies of needed food and raw materials by military conquest.—W. W. ALDRICH, Chairman of the Board, Chase National Bank.

SHE [Mrs. Chamberlain] is the lady who knows all my secrets but never lets them out, who gently corrects my faults, who never forgets to praise me, who remembers all the things that I forget and who, for now nearly thirty years, has been my best friend and counselor.—Prime Minister CHAMBERLAIN.

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And down goes this firm's margin of profit as it is driven out of low-rental offices no longer tenable. For office space elsewhere, prevailing rentals rule and, as is often the case, the firm is at the mercy of higher values.

As a result of this red ink addition to fixed charges, operating expense sheets must be re-figured. Over the ensuing months, or even years, estimates of net income must be shaved a little closer . . . erased, sometimes.

Loss like this is a calamity to the business whose margin of profit is based upon an advantageous long lease that may be canceled by a "fire clause". Today, by a supplementary attachment to the regular fire policy, leasehold interests can be made hazard-proof.

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FIRE — AUTOMOBILE — MARINE and ALLIED LINES OF INSURANCE

PACIFIC GAS AND ELECTRIC COMPANY

SAN FRANCISCO, CALIFORNIA

The properties of the Company and its subsidiaries constitute an interconnected system, located entirely within the State of California and operated by a single management. For the past twenty-seven years operations have been subject to regulation by the California State Railroad Commission.

The Company operates electric generating plants having an installed capacity of 1,676,902 horsepower and is one of the largest producers and distributors of electricity in the United States. It also ranks among the major distributors of natural gas in the country. On March 31, 1939, electric customers numbered 868,971, gas customers 615,334 and water and steam customers 11,990.

In the year ended March 31, 1939, 70.1% of operating revenues were derived from sales of electric energy, 28.6% from sales of gas, and 1.3% from minor activities. The well diversified character of the Company's business tends to stabilize earnings and also to permit of economical operation.

SUMMARY OF CONSOLIDATED INCOME AND DIVIDENDS ON CAPITAL STOCKS

	12 Months to Mar. 31, 1939	12 Months to Mar. 31, 1938
Gross Revenue, including Miscellaneous Income - - - - -	\$102,542,587	\$101,086,100
Operating Expenses, Taxes (except Federal income taxes) and Provision for Depreciation, Insurance, Casualties, Uncollectible Accounts and Pensions - -	62,083,756	60,491,040
Gross Income - - - - -	\$ 40,458,831	\$ 40,595,060
Bond and Other Interest, Discount and Other Income Deductions - - - -	12,238,232	12,217,497
Net Income before Provision for Federal Income Tax - - - - -	\$ 28,220,599	\$ 28,377,563
Provision for Federal Income Tax - - - - -	4,464,396	3,620,809
Net Income to Surplus - - - - -	\$ 23,756,203	\$ 24,756,754
Dividends of Subsidiaries on Capital Stocks held by Public, etc. - - - -	142,654	247,149
Remainder—Applicable to Pacific Gas and Electric Company - - - -	\$ 23,613,549	\$ 24,509,605
Dividends on Preferred Stock - - - - -	7,758,827	7,708,491
Remainder—Applicable to Common Stock - - - - -	\$ 15,854,722	\$ 16,801,114
Number of Full Shares of Common Stock outstanding at end of period - - -	6,261,270	6,261,270
Earned per Share of Common Stock - - - - -	\$2.53	\$2.68

RECORD OF RECENT GROWTH

Year Ended Dec. 31	Gross Operating Revenue	Sales of Electricity K.W.H.	Sales of Gas Cubic Feet	Number of Stockholders
1931 - - - - -	\$ 87,630,661	3,351,310,000	29,431,022,000	84,705
1932 - - - - -	85,058,617	2,932,003,000	34,594,302,000	95,483
1933 - - - - -	84,596,084	2,940,605,000	39,802,857,000	96,824
1934 - - - - -	87,555,480	3,269,116,000	41,074,683,000	96,225
1935 - - - - -	92,084,934	3,303,312,000	48,686,774,000	92,670
1936 - - - - -	95,333,336	3,696,378,000	53,439,510,000	90,263
1937 - - - - -	100,443,116	3,935,803,000	59,531,331,000	92,704
1938 - - - - -	101,424,595	3,906,866,000	62,477,013,000	95,985

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Copies of Annual Report may be obtained on application to D. H. Foote, Vice-President and Secretary-Treasurer,
245 Market Street, San Francisco, California

